



# MIGRATION IN THE FUNCTION OF DEVELOPMENT



Ministry of Human Rights and  
Refugees of Bosnia and Herzegovina



Schweizerische Eidgenossenschaft  
Confédération suisse  
Confederazione Svizzera  
Confederaziun svizra



*Empowered lives.  
Resilient nations.*





# **MIGRATION IN THE FUNCTION OF DEVELOPMENT**

*Sarajevo, 2015*



***Publisher***

*Bosnia and Herzegovina, Ministry of Human Rights and Refugees*

***For Publisher:***

*Damir Ljubic, M.Sc.*

***Consulting Editors***

*Marko Valenta, Ph.D., Norwegian University of Science and Technology, Trondheim*

*Mirza Emirhafizovic, Ph.D., Faculty of Political Sciences, University in Sarajevo*

***Board of Editors***

*Roland Kostic, Ph.D., Emina Cosic, Bojana Babic*

***Proofreaders***

*Ferida Durakovic-Hasanbegovic (Bosnian, Croatian, and Serbian), Christopher Hughes  
(English)*

***Translation from English into Bosnian, Croatian, and Serbian***

*Leila Kadribasic and Divna Jakic-Subasic*

***Cover Page and DTP***

*Minja Mirkovic-Husic*

***Print***

*CPU Printing company d.o.o. Sarajevo*

***Circulation***

*100*



Schweizerische Eidgenossenschaft  
Confédération suisse  
Confederazione Svizzera  
Confederaziun svizra



*Empowered lives.  
Resilient nations.*

*The publication has been published with the support of the Embassy of Switzerland and the United Nations Development Program in Bosnia and Herzegovina*

*The positions expressed in this publication exclusively belong to the authors and may in no way reflect the positions of the Ministry of Human Rights and Refugees of Bosnia and Herzegovina, Embassy of Switzerland or UNDP.*

CIP – Cataloguing in Publication  
National and University Library of  
Bosnia and Herzegovina, Sarajevo

314.7(063)(082)

MIGRATIONS in the Function of Development / [Sponsor]  
Ministry of Human Rights and Refugees of Bosnia and Herzegovina,  
Sector for the Diaspora; [Translated from English into Bosnian, Croatian,  
and Serbian by Leila Kadribasic, Divna Jakic-Subasic]. - Sarajevo:  
Ministry of Human Rights and Refugees of Bosnia and Herzegovina,  
2015 - 119 pp.: charts, tables; 30 cm

Bibliography: p. 118; Bibliographic and other notes to the text.

ISBN 978-9958-522-25-3

1. Bosnia and Herzegovina. Ministry of Human Rights and Refugees. Sector for the Diaspora  
(Sarajevo)

COBISS.BH-ID 21882630

# TABLE OF CONTENT

<b>FOREWORD .....</b>	<b>9</b>
-----------------------	----------

Jo Jakobsen and Zan Strabac  
Associate Professor  
Department of Sociology and Political Science  
Norwegian University of Science and Technology (NTNU)  
NO-7491 Trondheim, Norway

<b>REMITTANCES, INSTITUTIONS AND DEVELOPMENT IN BOSNIA AND HERZEGOVINA<sup>1</sup> .....</b>	<b>11</b>
--	-----------

Jelena Predojević Despić, M.Sc., Institute of Social Sciences Belgrade  
Tanja Pavlov, Ph.D, Grupa 484, Belgrade  
Svetlana Milutinović, M.Sc., Grupa 484, Belgrade

<b>TRANSNATIONAL ENTREPRENEURS IN SERBIA: A RESOURCE FOR ECONOMIC DEVELOPMENT .....</b>	<b>22</b>
---	-----------

Aleksandar Bozic, M.Sc., Independent Researcher  
Alumni Member of the Faculty of Social Sciences, City London University, Great Britain

<b>INTERNATIONAL MOBILITY AND KNOWLEDGE FLOW: EXPERIENCES OF YOUNG EXPERTS UPON RETURN TO BIH FOLLOWING COMPLETION OF POSTGRADUATE STUDIES ABROAD<sup>1</sup> .....</b>	<b>35</b>
---	-----------

Marina Peric Kaselj Ph.D, Scientific Associate  
Institute for Migration and Ethnicities, Zagreb

<b>IS IT ENOUGH TO LOVE YOUR HOMELAND? THE CROATS OF BOSNIAN POSAVINA: EXAMPLE OF THE MUNICIPALITY OF DERVENTA - BETWEEN THE DESIRE AND IN/ABILITY TO RETURN .....</b>	<b>49</b>
--	-----------

Milica Veskovic Andjelkovic  
Faculty of Philosophy  
University of Belgrade

<b>THE ROLE OF HIGHLY QUALIFIED RETURNEES IN THE PROSPERITY OF SERBIA: OPPORTUNITIES AND OBSTACLES .....</b>	<b>62</b>
--	-----------

Caroline Hornstein Tomić, Ph.D (doc. dr. sc.)

Senior Research Associate

Institute of Social Sciences Ivo Pilar, Zagreb, Croatia

**SKILLED MOBILITY, DIASPORA OUTREACH, REMIGRATION – POLICIES AND EXPERIENCES IN CROATIA .....74**

MMag. Ines Šuh

World University Service (WUS) Austrija

**THE IMPACT OF THE TEMPORARY RETURN OF HIGHLY SKILLED MIGRANTS FROM THE WESTERN BALKANS - THE CASE OF THE 'BRAIN GAIN PROGRAMME' .....85**

Esmeralda Shehaj

University of Tirana , Albanija

Nermin Oruč

International University of Sarajevo, Bosnia and Herzegovina

**MIGRATION AS A SAFETY NET: ANALYSIS OF THE EFFECTS OF REMITTANCES ON POVERTY AND INEQUALITY IN ALBANIA AND BOSNIA AND HERZEGOVINA .....98**



## FOREWORD

The Almanac of Papers Migrations in the Function of Development, created as a result of activities preceding the holding of the research workshop under the same title, expresses the social need for actualization of this relevant topic.

The planned research workshop is part of a joint project by the Ministry of Human Rights and Refugees, Embassy of Switzerland, and the United Nations Development Program in Bosnia and Herzegovina, titled Migrations and Development: Streamlining of Migration into the Relevant Policies, Plans and Activities in Bosnia and Herzegovina. This project makes an effort to systematically mobilize and build the potential of migrants from Bosnia and Herzegovina in the relevant areas of transition and socio-economic development, ensuring visible effects of their contribution to the progress of the country at all institutional and social levels. In line with the above, the research workshop has an aim of awareness raising, expanding knowledge and facilitating dialogue among the stakeholders in relation to migrations and development, as well as to indicate upon the importance of migration for the development of Bosnia and Herzegovina. Also, the goal is to create the conditions for involve the emigration/diaspora from BiH into integrated development strategies at all levels of the government in Bosnia and Herzegovina.

In summary, the main objectives of the workshop Migration in the Function of Development are:

- present the comparative experiences in relation to migration as a component of the socio-economic development (primarily the research studies that pertain to Bosnia and Herzegovina, but also to the other West Balkans countries);
- discuss the challenges and opportunities of using migration in the function of development of Bosnia and Herzegovina.

The workshop is a continuation of the Research Workshop on Migration from Bosnia and Herzegovina held on September 10 and 11, 2012, in Sarajevo, organized by the Ministry of Human Rights and Refugees of BiH in cooperation with the European Commission, Swiss Embassy and the Institute for Social Research of the Faculty of Political Sciences of the University in Sarajevo. The recent activities of the Ministry involving provision of support on development of academic research in the area of migration and on strengthening of BiH's research capacities in the area of migration and development arise from the Strategy of Migration and Asylum of BiH for the period of 2012-2015.

Given the large numbers and high potential of the Bosnian-Herzegovinian diaspora but also of the diaspora in the neighborhood, the primary intention of the research workshop is to gather in one place the researchers in a number of countries who are involved in these issues. In reference with this, it is important to

underline the advantages and weaknesses of the existing environment in terms of the benefits or obstacles that need to be removed in order to successfully generate the socio-economic development of our country (through investing, transfer of human capital and technology, requalification/supplementary qualification of the unemployed, development of the education and health care systems, and the like). Thanks to this publication, the development dimension of migration creates a syntagm that has pretensions to be more present in the socio-political discourse of BiH and the regional countries. The papers that are based on the surveys conducted predominantly treat two aspects of migration in the context of development: human capital outside the homeland and/or economic effects in the country of origin. The presence or prevalence of one of those two aspects has prompted the classification and order of sequence of the papers in the Almanac. Through the macro case studies of the West Balkans countries presented, aside from the specific qualities, certain common features have also been emphasized related to the intellectual and economic potentials of the numerous diaspora members. The findings of the research studies contributed, along with theoretical and empirical backgrounds, are also exceptionally valuable because of their practical applicability on the socio-economic reality.

The holding of the workshop and publication of the Almanac have not been guided by the aspiration to completely resolve the topic assigned but on the contrary – to stimulate new research or continue the ones already started, for which there is an evident need. The members of the Editorial Board have been up to the task, which has been additionally complicated by the requirement to reach the papers submitted in a relatively short timeframe and to exchange any observations, comments or suggestions with the authors. While doing so, the principle of not encroaching into the essence of the original text was observed, given that there was absolutely no aspiration to have structurally single-patterned works. It seems important to point out that after the submitted project summaries had been selected, all the papers were admitted.

We hope that this publication will be useful for many researchers in this area, as well as that they will contribute to a broader specter of interested public (broader public), which will be facilitated by its availability on the web sites of the workshop organizers.

**Isma Stanic, M.Sc.**

Ministry of Human Rights and  
Refugees of Bosnia and Herzegovina

**Mirza Emirhafizovic, Ph.D.**

Faculty of Political Sciences  
of the University in Sarajevo

**Jo Jakobsen and Zan Strabac**

**Associate Professor**

**Department of Sociology and Political Science**

**Norwegian University of Science and Technology (NTNU)**

**NO-7491 Trondheim, Norway**

## **REMITTANCES, INSTITUTIONS AND DEVELOPMENT IN BOSNIA AND HERZEGOVINA<sup>1</sup>**

### ***Abstract***

*Few countries in the world receive more migrant remittances than Bosnia and Herzegovina. This study investigates the effects of such remittances on the Bosnian economy and examines whether and how the relationship between migrant money transfers and growth is conditioned by the quality of the institutions. The statistical models we employed are based on data from the World Bank. The results suggest that the relationship is complex: remittances may indeed boost in-country growth rates but only for countries without a well-developed institutional framework, which is a category within which Bosnia evidently falls. Remittances may therefore have performed a useful short-term role as a substitute for institutional intermediaries and FDI in Bosnia and Herzegovina. At the end of the paper, we deliberate over social as well as the economic effects of remittances and we discuss the association between remittance flows and the development of institutional framework.*

**KEYWORDS:** *remittances, FDI, institutions, and development.*

### **Introduction**

Bosnia and Herzegovina emerged from the war in the 1990s with a battered economy, a precarious social order and political system and a population significantly reduced due partly to the many casualties suffered in the years of fighting but mostly to migration. Resurrecting the economy – and indeed Bosnian society as a whole – amid such problems and challenges was always going to be a formidable task. Perhaps on the more positive side, however, in terms of the economy, one quite significant result of the mass migration did occur: the large Bosnian diaspora was – and still is – remitting vast amounts of money to their friends and family members back home.

Since 1998 – the first year for which reasonably reliable data was available in the post-war era – Bosnia and Herzegovina has consistently been one of the world's top receivers of remittance flows from abroad, relative to the size of the economy. In fact, in 1998, 1999 and 2000 the remittances-to-GDP ratio was higher for Bosnia than for any other country in the world, according to World Bank figures. Moreover, in absolute numbers, from the start of the Millennium to 2008 the flows of officially recorded migrant money transfers to Bosnia almost doubled in size.

This study investigates the effects of migrant remittances on the BiH economy. On this score, the conclusion is by no means foregone. The literature on the economic impact of remittances on the recipient country is not unanimous in its verdict. While perhaps the bulk of empirical studies finds the effects to be positive (e.g., Adams and Page 2005; Catrinescu et al. 2009 and Mundaca 2009) others allege that remittances can actually hamper economic development. The latter claim is based on the concept that they tend to reduce labour participation, spur consumption rather than investment and reduce the competitiveness of the home economy (see Amuedo-Dorantes and Pozo 2004, Glytsos 2002).

The role of the institutional framework further complicates the picture. A recent wave of studies argues that the developmental effects of remittances are in fact critically conditioned by the governance structure of the recipient nation. Yet here too the evidence is far from unambiguous. Some studies contend that the growth impact of remittances increases with the quality of institutions in much the same manner as it does for other types of international financial flows (see Catrinescu et al. 2009, IMF 2005, Mundaca 2009). However, others argue to the contrary claiming that countries with less developed institutional frameworks are more likely to benefit economically from remittances. The latter claim that, given their person-to-person nature of money transfers from abroad, they are separate from foreign investment and aid flows and actually work to compensate for a deficient institutional framework and a concomitant lack of sufficient access to other sources of capital (see Schrooten 2005).

It is just this remittance institutional development nexus that is explored through our analyses. We focus mainly on the effects of remittances and Foreign Direct Investment (FDI) on economic growth and analyse whether the quality of institutions condition the growth potential of remittances.

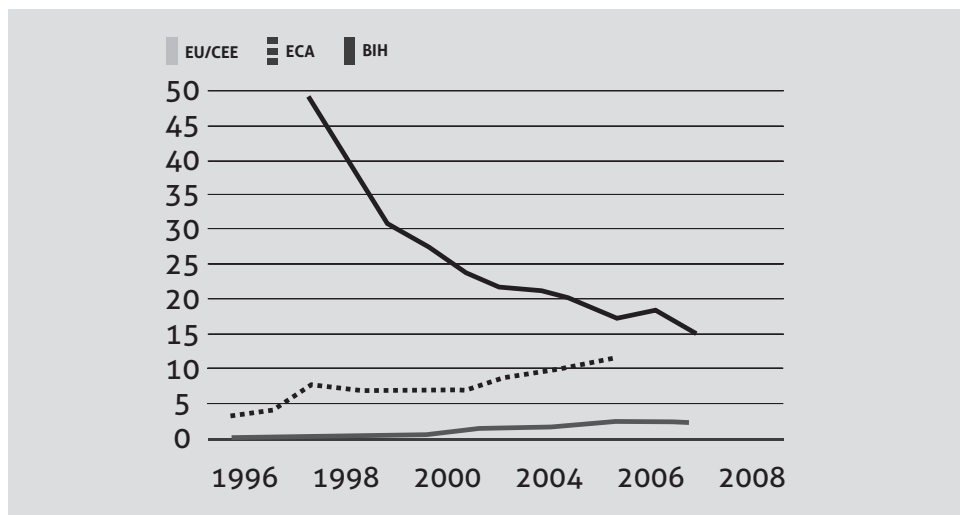
## **Migrant Remittances, International Capital Flows and the Bosnian Economy**

The war in the 1990s devastated the BiH economy and society alike. Resurrecting

and reconstructing the country, given the plethora of problems and challenges that lay ahead, was always going to constitute a formidable task. Thousands of people had died and millions were displaced, while the production capacity was decimated and political and the economic institutions were a shambles.

The process of resuscitation would be significantly complicated by vested interests and ethnicity. For a start, the Dayton Agreement specified a very complex political order that ensured that the government was split between a Serb entity (Republika Srpska) and a Bosniak-Croat federation; the latter was further sub-divided into several cantons with only a weak central authority at the top to bind the constituent parts together. Ethnic politics largely dominated over state building and politico-economic reform. Vested interests on all sides appeared to be more concerned with preserving the largely dysfunctional status quo than providing for BiH's political, institutional and economic development. Yet BiH growth rates since Dayton have in fact been relatively decent, at least up until 2008. In the late 1990s, of course, the economy was helped by a large influx of external development assistance. Even as the aid flows started to contract somewhat at the turn of the Millennium growth in GDP continued. However, in recent years the economy has stagnated.

With aid figures abating and Bosnia as yet unable to attract the amounts of foreign direct investment deemed necessary for high and sustainable growth (a point to which we will return later), migrant remittances may play a vital role as a possible development catalyst. Figure 1 shows the yearly volume of official money transfers (as a share of GDP) from migrants to BiH for the period 1998–2008. The figures for BiH are compared to average remittances-to-GDP flows respective to the European and Central Asian region (the ECA region excludes EU members and high-income countries, as defined by the World Bank ) and new EU Members States in Central and Eastern Europe (EU/CEE). As it turns out, BiH has consistently been – and still is – one of the world's very top receivers of remittances from abroad, especially relative to the size of the economy. In fact, for three years running –the period 1998–2000 – no country in the world received more remittances as a share of GDP than BiH. Moreover, in absolute terms, the yearly flow of remittances to BiH seems only to increase, with money transfers almost doubling in size from the year 2000 to 2008. Migrants remitted a total worth of 2.7 billion USD to friends and relatives in BiH in 2008, which amounted to about 15 per cent of the country's GDP. The latest available data from the World Bank shows a fairly stable inflow of remittances in recent years, amounting to about two billion USD per year (World Bank 2011).



**Notes:** Own computation based on data from World Bank (2008) and <http://data.worldbank.org/>; lines are based on unweighted mean values for the countries included in each group; “EU/CEE” denotes the ten states from Central and Eastern Europe that became members of the EU 2004-2007; “ECA” denotes Europe and Central Asia, excluding EU members and high-income countries (as defined by the World Bank); “BIH” denotes Bosnia and Herzegovina.

We have seen that some researchers believe that migrant remittances are perhaps the primary tool of development in the 21st century (see Kapur 2004). However, others hold a more negative view concerning the effects of remittances. The ‘negative’ camp presents several different arguments. For our purposes, the most important ones are firstly that remittances are used mainly to finance basic household expenditure, not least ordinary consumption, and should therefore have little effect on investment (see Glytsos 2002). Secondly, that such large remittance flows might make the migrants’ home country further dependent on such flows and thereby effectively provide an obstacle to the necessary reforms in the economy (see Glytsos 2002). Thirdly, and linked to the preceding point, labour participation is likely to suffer to the extent that remittances are seen by the receiver as a substitute for income gained through labour (see Chami, Fullenkamp and Jahjah 2003).

Another interesting question is does the institutional quality condition the effects of remittances on development? The next main section will address the question of whether the quality of institutions and governance effectively condition the growth prospects of developing and emerging economies. Particular focus is given to the link between capital flows, institutions and growth in BiH.

## **Bosnia and the Capital Flows Institutions Growth Nexus**

The institutional environment as a whole – the ‘soft’ institutional infrastructure or governance structure of society – is generally thought to contribute strongly to facilitating economic activity, including inward foreign direct investment (see Kaufmann, Kraay and Mastruzzi 2009). As seen from a company perspective, the role of institutions – and indeed, in this sense, the main purpose of the state – is to reduce transaction costs and protect property rights. Secure property rights can be vital in that they spur risk taking, innovation and make possible the writing and enforcement of contracts with lengthy horizons.

Yet do institutions also affect the link between remittances and growth? Some argue that this is indeed the case. Catrinescu et al. (2009) finds that remittances have a stronger effect on growth rates in nations with more solid policy and institutional environments. Others disagree, arguing instead that remittances in many ways do not ‘behave’ the way other international capital flows do; rather, given their person-to-person character, they actually operate outside of the standard governance framework and might therefore perform the role of a substitute for a sound institutional framework and thereby significantly help spur growth in badly governed nations (see Schrooten 2005).

Whoever is ‘right’, this question is of vital importance to Bosnia and Herzegovina. This is not only because this country is a major recipient of remittances but also because the institutional framework was and in a relative sense at least still is in tatters after the war. The legacy of the war has indeed left an almost indelible mark on the country’s political and economic institutions. From the overarching political system itself, with its complicated structure and divisions along ethnic lines, to more mundane institutions, such as the customs service or local bureaucracies and courts, the institutional framework appears weak.

## **Do Remittances Increase Economic Growth Rates in Developing and Emerging Economies? A Quantitative Analysis, 1997-2006**

### **Variables and methods**

We have employed time-series cross-section (TSCS) data and the period covered is 1997-2006. Under study were 103 developing and emerging economies (i.e., those defined by the World Bank as ‘Low income’, ‘Lower-middle income’ or ‘Upper-middle income’). All data is from the World Bank (2008 <http://data.worldbank.org/>). The dependent variable is real economic growth that is the annual percentage



growth rate of GDP per capita (GROWTH). The main independent variable of interest is remittances divided by GDP (REMITTANCES). This variable measures officially recorded private transfers of money by migrant workers to their home country. Since it is highly positively skewed, the variable was logarithmically transformed before being used in estimations. The impact of remittances on growth was more or less explicitly compared to the effects of other capital flows, first and foremost foreign direct investment (as a share of GDP, and logged). Therefore, the variable FDI was entered into the equation. We also employed a measure of foreign aid per capita, logged (AID). We also included the ‘standard’ set of control variables, in accordance with the empirical literature. Due to space constraints, we have not presented descriptions of these but this can be obtained from the authors upon request.

To ensure that the results were not sensitive to estimation method, in some models we estimated the parameters and standard errors using ordinary least squares (OLS), while in other versions we used OLS regression with the more conservative ‘Huber-White’ robust estimates on the standard errors (Reg. cluster). In some specifications we employed the ‘fixed-effects’ method to focus more exclusively on within-country variation.

Results and Analysis

Table 1, column 1, exhibits the first basic OLS model. Here we see nothing to indicate that remittances affect growth: while the coefficient of REMITTANCES is positive, it is not significant. This non-result stays the same in the robust regression version (column 2). At least at first glance, it seems that the arguments of the ‘negative’ camp might hold water. It could be that remittances are more geared towards ordinary consumption, which does little in terms of raising productivity or output, and that such money transfers are associated with a dependency relationship that blocks necessary reforms or that labour participation suffers as remittances flow into the economy.

Table 1: Estimates of the effects of remittances on economic growth in developing and emerging economies, 1997-2006

	(1) OLS	(2) Reg. cluster	(3) Fixed effects
Independent variables	GROWTH	GROWTH	GROWTH



<b><i>LAGGED DEPENDENT</i></b>	<b><i>0.348*** (10.75)</i></b>	<b><i>0.319*** (5.15)</i></b>	
<b><i>REMITTANCES</i></b>	<b><i>0.128 (1.44)</i></b>	<b><i>0.040 (0.49)</i></b>	<b><i>0.642*** (2.68)</i></b>
<b><i>FDI</i></b>	<b><i>0.216*** (2.84)</i></b>	<b><i>0.220** (2.28)</i></b>	<b><i>0.084 (0.89)</i></b>
<b><i>AID</i></b>	<b><i>-0.041 (-0.50)</i></b>	<b><i>-0.041 (-0.49)</i></b>	<b><i>-0.010 (-0.09)</i></b>
<b><i>FIXED INVESTMENT</i></b>	<b><i>0.346 (0.69)</i></b>	<b><i>0.319 (0.46)</i></b>	<b><i>-2.149** (-2.41)</i></b>
<b><i>TRADE</i></b>	<b><i>-0.061 (-0.19)</i></b>	<b><i>-0.141 (-0.43)</i></b>	<b><i>5.303*** (4.57)</i></b>
<b><i>POPULATION GROWTH</i></b>	<b><i>-0.525*** (-3.51)</i></b>	<b><i>-0.603*** (-3.09)</i></b>	<b><i>0.258 (0.284)</i></b>
<b><i>CURRENT ACCOUNT</i></b>	<b><i>0.052*** (2.79)</i></b>	<b><i>0.045* (1.94)</i></b>	<b><i>0.023 (0.74)</i></b>
<b><i>ECONOMIC DEVELOPMENT</i></b>	<b><i>-0.814*** (-3.99)</i></b>	<b><i>-0.776*** (-3.47)</i></b>	
<b><i>PRICE CHANGES</i></b>	<b><i>-0.293** (-2.55)</i></b>	<b><i>-0.301** (-2.40)</i></b>	<b><i>-0.674*** (-4.35)</i></b>
<b><i>SCHOOL</i></b>	<b><i>0.027*** (0.027)</i></b>	<b><i>0.020* (1.91)</i></b>	<b><i>-0.029 (-0.77)</i></b>
<b><i>Constan</i></b>	<b><i>6.638*** (3.52)</i></b>	<b><i>8.733*** (3.95)</i></b>	<b><i>-11.905* (-1.94)</i></b>
<b><i>Time dummies</i></b>	<b><i>NO</i></b>	<b><i>YES</i></b>	<b><i>YES</i></b>
<b><i>Country dummies</i></b>	<b><i>NO</i></b>	<b><i>NO</i></b>	<b><i>YES</i></b>
<b><i>Observations</i></b>	<b><i>851</i></b>	<b><i>851</i></b>	<b><i>851</i></b>
<b><i>Countries</i></b>	<b><i>103</i></b>	<b><i>103</i></b>	<b><i>103</i></b>
<b><i>R<sup>2</sup></i></b>	<b><i>0.25</i></b>	<b><i>0.29</i></b>	<b><i>0.46</i></b>

Notes: t-statistics in parentheses; all independent variables except PRICE CHANGES are lagged one year; variables of special theoretical interest are in bold type; levels of statistical significance are indicated by asterisks: \* significant at 10%; \*\* significant at 5%; \*\*\* significant at 1%.

Contrast this with the results on foreign direct investment. As one would expect, the coefficient of FDI is positive and significant in the first two models meaning that countries that attract large amounts of FDI also tend to experience higher growth rates. Also, take into consideration that most of the other results are as expected.

Column 3 complicates the picture, however. In terms of their impact on growth, REMITTANCES and FDI actually change place: now REMITTANCES exhibit a strong positive effect on the dependent variable, while there is no effect from foreign direct investment! This must be due entirely to the inclusion into the model of N-1 country dummies – which makes it a fixed-effects model. The substantive interpretation of the coefficients also changes. In the fixed-effects model the focus of attention is country-specific variation, such as changes within countries over time. This means that column 3 indicates that if a given economy increases its inflow of remittances (as a share of GDP) over time it is also likely to boost its growth rate. Taken together, the columns in Table 1 might lead us to conclude tentatively that countries with a high level of remittances-to-GDP do not grow faster than those that experience meagre inflows of remittances. In the latter case, we could speculate that they have adequate access to other potentially growth-enhancing sources of external capital, such as FDI, but only to the extent that a given country is able to increase its year-on-year inflows of remittances. Economic growth in that country is likely to benefit.

**Table 2: Estimates of the effects of remittances on economic growth in developing and emerging economies, by institutional quality, 1997-2006**

	(1) <i>Reg. cluster</i> <i>WBGI&gt;=0</i>	(2) <i>Reg. cluster</i> <i>WBGI&lt;0</i>	(3) <i>Fixed effects</i> <i>WBGI&gt;=0</i>	(4) <i>Reg. cluster</i> <i>WBGI&lt;0</i>
<i>Independent variables</i>	<i>GROWTH</i>	<i>GROWTH</i>	<i>GROWTH</i>	<i>GROWTH</i>
<i>LAGGED DEPENDENT</i>	0.220** (2.17)	0.353*** (4.75)		
<i>REMITTANCES</i>	0.155 (0.325)	-0.005 (-0.05)	0.459 (0.91)	0.774*** (2.72)
<i>FDI</i>	0.322* (1.72)	0.178* (1.67)	0.539** (2.00)	0.007 (0.07)
<i>AID</i>	0.071 (0.72)	-0.210 (-1.38)	-0.050 (-0.43)	0.626* (1.74)
<i>FIXED INVESTMENT</i>	-1.014 (-0.75)	0.623 (0.72)	0.057 (0.03)	-3.152*** (-2.90)
<i>TRADE</i>	0.014 (0.02)	-0.228 (-0.55)	3.780 (1.39)	5.615*** (4.10)
<i>POPULATION GROWTH</i>	-0.712** (-2.45)	-0.579** (-2.30)	-0.459 (-1.12)	0.710** (2.37)

<b>CURRENT</b>	<b>0.057*</b>	<b>0.009</b>	<b>0.136**</b>	<b>-0.640</b>
<b>ACCOUNT</b>	<b>(1.77)</b>	<b>(0.24)</b>	<b>(2.13)</b>	<b>(-3.43)</b>
<b>ECONOMIC</b>	<b>-0.613</b>	<b>-0.876***</b>		
<b>DEVELOPMENT</b>	<b>(-1.32)</b>	<b>(-4.55)</b>		
<b>PRICE CHANGES</b>	<b>-0.119</b>	<b>-0.290*</b>	<b>-0.253</b>	<b>-0.640***</b>
	<b>(-0.57)</b>	<b>(-1.91)</b>	<b>(-0.77)</b>	<b>(-3.43)</b>
<b>SCHOOL</b>	<b>0.005</b>	<b>0.021*</b>	<b>0.098</b>	<b>-0.098*</b>
	<b>(0.22)</b>	<b>(1.68)</b>	<b>(1.39)</b>	<b>(-1.97)</b>
<b>Constant</b>	<b>11.387***</b>	<b>9.335***</b>	<b>-18.497</b>	<b>-0.654</b>
	<b>(3.18)</b>	<b>(2.94)</b>	<b>(-1.37)</b>	<b>(-0.07)</b>
<b>Time dummies</b>	<b>YES</b>	<b>YES</b>	<b>YES</b>	<b>YES</b>
<b>Country dummies</b>	<b>NO</b>	<b>NO</b>	<b>YES</b>	<b>YES</b>
<b>Observations</b>	<b>236</b>	<b>615</b>	<b>236</b>	<b>615</b>
<b>Countries</b>	<b>37</b>	<b>84</b>	<b>37</b>	<b>84</b>
<b>R<sup>2</sup></b>	<b>0.24</b>	<b>0.33</b>	<b>0.40</b>	<b>0.51</b>

Notes: t-statistics in parentheses; all independent variables except PRICE CHANGES are lagged one year; variables of special theoretical interest are in bold type; WBGI denotes World Bank Governance Indicators; levels of statistical significance are indicated by asterisks: \* significant at 10%; \*\* significant at 5%; \*\*\* significant at 1%.

Table 2 elaborates on these two closely related notions. Here we split the sample estimating one model for countries with a sound institutional framework (operationally defined as scoring a total average of 0 or higher on the six World Bank Governance Indicators) and another for countries with poorer institutions (or WBGI<0, a category into which Bosnia and Herzegovina squarely falls throughout the period). The results from the robust regression estimations (columns 1 and 2) are fairly clear: between-country differences in institutional quality do not significantly condition the (non)impact remittances have on growth (the positive and significant results on FDI also appears to be unaffected by institutional quality).

However, columns 3 and 4 provide some interesting qualifications to the above. In the fixed-effects models there really are differences between the two samples with respect to the relationship between remittances and growth – as well as between FDI and growth. Yet the two types of capital inflows do not ‘behave’ in the same manner. For institutionally sound countries, an increase in FDI (for a given country) is associated with increased growth rates yet this is not the case with those countries plagued by underdeveloped institutions. These results clearly commensurate with the gist of the academic literature on the interplay between FDI, governance and growth, which holds that the growth potential of foreign direct investment can easily be stymied if the institutional framework in the host

country is deficient.

The opposite seems to be the case for remittances: bad institutions increase the growth impact of increasing flows of migrant money transfers within a given economy, whereas increased levels of remittances have no growth impact in institutionally sound nations. Perhaps this goes to show that both ‘camps’ in remittances literature – that is, both the ‘positive’ and the ‘negative’ – may be on to something. On the one hand, in those countries that have reached a certain threshold of politico-economic development, further growth and development might require funding from other more directly productivity-enhancing, investment-focused and long-term sources of capital – first and foremost FDI – just as the ‘negative’ camp would argue. On the other hand, remittances may perform a vital role as a substitute for (and compensator for the lack of) institutional intermediaries and FDI for those nations with glaring deficiencies in their institutional infrastructure. For this group of nations – which includes Bosnia and Herzegovina – the ‘positive’ camp’s insistence on the positive contribution of remittances in terms of poverty-relief, spill over and multiplier effects as well as human capital investment seems credible.

## Conclusions

Given the presumed importance of attracting capital from external sources, effectively BiH has two strategic ‘alternatives’. Firstly, if the country is to attract considerable amounts of long-term foreign investment – and to realise in full the growth potential of FDI at present investment levels – it needs to improve its business climate and institutions. However, as institutions only change slowly this will take time. The second option is to continue to rely on remittances as the major single source of foreign exchange. While continuing reliance on migrant transfers of money is a risky option, as they might contract in the future, our results imply that remittances do have a positive effect on the economic growth of the country.

This has some interesting consequences. The first and most common concerns the large-scale emigration of qualified labour from the country (a phenomenon called ‘brain-drain’ when discussing the emigration of highly skilled professionals). Yet if continued emigration of citizens from Bosnia and Herzegovina helps sustain the current high levels of flow of remittances we could argue that moderate levels of emigration are not necessarily negative for the country’s economic prospects. This, of course, is a complicated issue but the huge importance of remittances for the BiH economy at the very least eases concerns associated with the prospect of large-scale emigration of skilled and semi-skilled labour. The second is that remittances might prove to be a key component in ensuring at least moderate

economic development in the country in near future. The complicated and largely dysfunctional political system in Bosnia and Herzegovina is likely to hinder significant increases in FDI inflows in the short and mid-term perspective. Here, remittances might help to alleviate economic problems and help the country to stay afloat economically until, hopefully, a more viable long-term political solution is found.

## References

- Adams, R.H and Page, J. 2005. *Do International Migration and Remittances Reduce Poverty in Developing Countries?* World Development, 33(10), pp. 1645-1669.
- Amuedo-Dorantes, C and Pozo, S. 2004. *Workers' Remittances and the Real Exchange Rate: A Paradox of Gifts.* World Development, 32(8), pp. 1407-1417.
- Catrinescu, N. Leon-Ledesma, M. Piracha, M and Quillin, B. 2009. *Remittances, Institutions and Economic Growth.* World Development, 37(1), pp. 81-92.
- Chami, R. Fullenkamp, C and Jahjah S. 2003. *Are Immigrant Remittance Flows a Source of Capital for Development?* IMF Working Paper WP/03/189. Dostupno na: <<http://www.imf.org/external/pubs/ft/wp/2003/wp03189.pdf>> [pristup 15. septembra 2010].
- Glytsos, N.P. 2002. *The Role of Migrant Remittances in Development: Evidence from Mediterranean Countries.* International Migration, 40(1), pp. 5-26.
- IMF. 2005. *World Economic Outlook: Globalization and External Imbalances.* Washington DC: International Monetary Fund.
- IMF. 2008. *Bosnia and Herzegovina: Selected Issues.* IMF Country Report No. 08/326. Available at: <<http://www.imf.org/external/pubs/ft/scr/2008/cr08326.pdf>> [pristup 3. septembra 2010].
- Kapur, D. 2004. *Remittances: The New Development Mantra?* G24 Discussion Paper Series. New York and Geneva: United Nations. Dostupno na: <[http://www.unctad.org/en/docs/gdsmdpbpg2420045\\_en.pdf](http://www.unctad.org/en/docs/gdsmdpbpg2420045_en.pdf)> [Accessed 7 September 2010].
- Kaufmann, D. Kraay, A and Mastruzzi, M. 2009. *Governance Matters VIII: Governance Indicators for 1996-2008.* World Bank Policy Research. Dostupno na: <[http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=1424591](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1424591)> [pristup 25. augusta 2010].
- Mundaca, B.G. 2009. *Remittances, Financial Market Development and Economic Growth: The Case of Latin America and the Caribbean.* Review of Development Economics, 13(2), pp. 288-303.
- Schrooten, M. 2005. *Bringing Home the Money: What Determines Worker's Remittances to Transition Countries?* Discussion Paper Series No. 466. Tokyo: The Institute of Economic Research, Hitotsubashi University. Dostupno na: <<http://hermes-ir.lib.hit-u.ac.jp/rs/bitstream/10086/13422/1/DP466.pdf>> [pristup 7. septembra 2010].
- World Bank. 2008. *World Development Indicators.* Data on CD-ROM. Washington, DC: World Bank.
- World Bank 2010. *Business Environment Snapshot for Bosnia and Herzegovina.* Dostupno na: <<http://rru.worldbank.org/BESnapshots/Bosnia%20and%20Herzegovina/default.aspx>> [pristup 20. augusta 2010].
- World Bank. 2011. *Migration and Remittances Factbook 2011.* Available at: <<http://data.worldbank.org/data-catalog/migration-and-remittances>> [Pristup 11. augusta 2014]

<sup>1</sup>The Europe and Central Asia (ECA) region includes Albania, Armenia, Azerbaijan, Bosnia and Herzegovina, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, FYR Macedonia, Russia, Serbia, Tajikistan, Turkey and Ukraine. (Data was not available for Montenegro, Turkmenistan and Uzbekistan.)

<sup>2</sup>The EU/CEE region includes Bulgaria, Czech Republic, Estonia, Hungary, Lithuania, Latvia, Poland, Romania, Slovak Republic and Slovenia.

<sup>3</sup>Data problems still hamper research on remittances to a certain degree. First and foremost, the problems are caused by the fact that a substantial share of total remittances transferred through informal channels remains outside official statistics. These unofficial remittances are not included in our data.

Jelena Predojević Despić, M.Sc., Institute of Social Sciences Belgrade  
Tanja Pavlov, Ph.D, Grupa 484, Belgrade  
Svetlana Milutinović, M.Sc., Grupa 484, Belgrade

## TRANSNATIONAL ENTREPRENEURS IN SERBIA: A RESOURCE FOR ECONOMIC DEVELOPMENT

### *Summary*

*There is an increasing tendency across the globe to classify transnational entrepreneurship into leading economic activities, especially in the high-tech field; however, this issue has been neglected in Serbia. Therefore, the objective of this research was to use empirical studies as a basis to determine the features of transnational entrepreneurship and of returnee entrepreneurs. This includes their contribution to the socioeconomic development of Serbia as their country of origin and the role of their mother state in the promotion of this type of entrepreneurship. The results of the research are presented in this paper.*

*The transnational entrepreneurs that participated in this research confirmed the claim that through its social and human capital this entrepreneurial as well as migrant group can connect countries of origin and destination into a transnational space by using opportunities in one segment of this space to overcome obstacles in the other segment of the transnational space. The research findings shown that through direct economic investment and indirectly via improved organisation in the public and private sectors this phenomenon may prove to be a significant resource for the development of agriculture in Serbia.*

*The work so far indicates the need to develop a stable social environment, strengthen institutions, improve the business and entrepreneurial climate and stimulate their operational environment.*

**Key words:** transnational, entrepreneurship, migrant returnees, Serbia, economic development.

### **Introduction**

Recently, there has been increased interest in the relationship between migration and development. One of the reasons for this is the limited success achieved thus

far in development practice. The hope is that migrants can turn around the current lack of success in and also stimulate development (Raghuram 2009). Therefore, it has been pointed out that the relationship between migration and development needs to contain a notion of space set forth differently and determined more precisely (Allen 2003). This is because in the age called globalisation the society of networks or the global society with the increased circulation of populations bring about far more opportunities for interaction between migration and development (Faist 2008). This circulation also causes a blurring of the clear differentiation between the space of emigration and space of admission as well as the notions of settlement and return (Skeldon 2010). As stated in Raghuram (2009: 113), it should be accepted that spaces for development and spaces of development have already been mingled, that the migrants “over here” may need development and that the migrants “over there” may be agents of development “over here”.

With a view to the increasing intensity and volume of the circulation of populations, goods, information and symbols caused by international labour migrations through so-called transnational movement, a new prism or new concept in research, dating from the early nineties of the 20th century, has been engendered. This concept applies equally to the potential benefits for development on the individual (migrant) and collective level (migration and admission environments). It has revealed that there is an increasing transnational migrant population “whose daily living depends on multiple and constant links beyond international borders and whose identity is created in relation to several national states” (Basch et al. 1994:4). The concept of transnational analysis of migration (Faist 2008), although neglecting the theoretical analysis of transnationalism in migration rules and the form of spatial power they are referring to, puts an emphasis on migrants as increasingly significant players in the global redistribution of activity (Raghuram 2009).

In this sense, opportunities involving transnational entrepreneurship are increasingly emphasised as it continues to develop. Transnational entrepreneurship is becoming one of the leading economic activities in the world, particularly in the high-tech area. According to Drori and associates, the process of transnational entrepreneurship includes those “entrepreneurship activities conducted within one state as initiated by the players based in at least two different social and economic arenas. Transnational entrepreneurship is a growing aspect of international business expansion (2009:1001). Therefore, an increasing number of studies are published on this type of migration, addressing either the topic of entrepreneurship immigrants or entrepreneurship returnees into the country of origin”.

The role of engineers and managers educated in the USA but born abroad (mainly in Asia) is emphasised as key in the process of development of entrepreneurship



and technological innovation in their countries of origin (Saxenian 2002, 2005). Relying on professional and business links in their countries, while simultaneously maintaining their US-based links, they have helped start up local entrepreneurship. In this way, they have allowed their countries to take part in the global IT revolution (Saxenian 2005: 38). In addition, a study on Latin American immigrant groups in the USA has shown that transnational entrepreneurs constitute a significant portion, and often a majority, amongst immigrant communities (Portes et al. 2002).

## **Transnational Entrepreneurship amongst Returnee Entrepreneurs in Serbia**

### **Objective and Method of the Study**

The main objective of the pilot study<sup>1</sup>, the results of which we present in this paper, was to identify and describe the ways in which migrant returnees decide to start-up and develop transnational entrepreneurship in Serbia. The Study examines the motives of the interviewed returnees in relation to the establishment of firms in Serbia as well as simultaneous operations in Serbia and abroad. This was done using macro, mezzo and micro analytical levels, viewed through the attitudes of the study participants. Macro, mezzo and micro factors were examined and identified through migration theories (Fiast 2000). The macro level includes an analysis of the political, economic and cultural structures at the state level in the countries of origin and admission. The micro level pertains to the determination of the factors that influenced individual decision making on migration, while analysing the values, desires and expectations of migrants. The mezzo level constitutes an analysis of the social and symbolic relationship between migrants and groups as well as the resources inherent to those relations. Opportunities were examined in terms of their contribution to the socioeconomic development of the country of origin, while the role of the mother country in promoting this type of entrepreneurship was also examined.

The non-existence of quantitative data led to the application of the qualitative method. One of the advantages of this approach was the narrative as a method to examine the ways in which some individuals viewed their environment and how aspects of their identity and actions were defined (Bartel and Garud, 2009). Based on a semi-structured questionnaire, 15 interviewees responded to the question of who are the nationals of Serbia. The interviews were anonymous and lasted on average for 90 minutes. The snowball method was used and the interviewees were not selected using the networks of study participants. The interviews were advertised in the period from October to December 2012. The target group were transnational migrants and returnees who are business owners and who operate in



Serbia and cooperate with foreign countries.

The socio-demographic features of the transnational entrepreneurs taking part in the study show that this was a heterogenic group, which is also in line with the findings of other research studies around the world (Terjesen and Elam 2009, Portes et al. 2002). They were mainly educated at university level, while two interviewees had graduated from secondary school. Their professions ranged from construction to the hotel and restaurant sectors to medical and artistic professions. The most numerous were IT engineers or economy and management specialists. The transnational entrepreneurs interviewed mostly lived in Belgrade (ten entrepreneurs), but there were some from other regional centres in Serbia (Novi Sad, Kraljevo and Arandjelovac). Two entrepreneurs lived in Belgrade and another place in Serbia (Uzice and Valjevo), while there were others who lived in the transnational space between two or more countries (Serbia-Slovenia, Serbia-Hungary).

Amongst the countries from which they had returned the USA was dominant followed by the economically developed Western European countries. Men dominated the sample: only two women were interviewed. They were most commonly married with two children. Seven entrepreneurs held double citizenship. The time of departure and the length of residence abroad for the entrepreneurs varied from 2 to 30 years, which was significantly conditioned by the age of the interviewees: the oldest was born in 1947 and the youngest in 1983. The majority of the interviewees had returned to Serbia after 2005.

Their transnational enterprises were also heterogenic with nine falling into the group of services and five manufacturing. Amongst the service enterprises, four were within the domain of IT and communications technology and three were involved in trade (one sold household appliances and two were in the area of oil derivatives). One company offered financial consulting services and another provided dental services. The manufacturing enterprises also differed considerably and were involved in the production of light planes, food, solar energy, artistic products, furniture and medical equipment. According to the numbers of employees, all of the enterprises fell under the classification small enterprises and to the most extent employed an educated and skilled workforce. Ten companies had their headquarters in Serbia and one entrepreneur had a company abroad and another company in Serbia, while one interviewee had a single company in the USA.

## Theoretical Framework

For the purpose of analysing the research results, the authors referred to the studies on transnational entrepreneurs conducted by Terjesen and Elam (2009). They researched strategies on the internationalisation of transnational entrepreneurs through the prism of Bourdieu's Theory of Practice (1977). Following the Drori and associates (2009) theoretical framework, the authors have shown how the recognisable fashions of thought and groups of resources (economic, social and symbolic capital) brought transnational entrepreneurs to a position where they had to monitor international markets and manage the requirements of multiple institutional frameworks within certain areas of economic activity. In accordance with this, the authors believe that the Serbian transnational entrepreneur migrants relied on various groups of resources (economic, social and cultural) in order to move through different fields, namely through a number of institutional environments: legal and regulatory regimes involved in the practice of transnational entrepreneurship.

Just as Terjesen and Elam had done in their study (2009), three of the Bourdieu's main concepts were applied: habitus, field and capital. This was in order to provide an explanation for the process behind starting up and maintaining transnational entrepreneurship amongst the Serbian migrant returnees. The combination of Bourdieu's main concept of assistance will help us interconnect the processes at the individual level of migrant entrepreneurs with the structures to the structural level (Swartz 2008).

The habitus, popularly called "a view of the world", denotes the acquired and transferrable affiliations and capacities that lead our thoughts and actions in a certain field (Terjesen and Elam 2009:1104). It consists of individual but also collective experience, perceptions and norms by individuals that send him into action (Drori et al. 2010).

The field, as interpreted by Drori et al. (2006), pertains to institutional structures in the macro environment. The focus of this Study is on the legal and regulatory regimes in which the migrant returnees have to operate. The field describes the social structures within which the actions run, while forms of capital (economic, social, cultural and symbolic) define the position from which players react (Bourdieu 1993). Although Bourdieu did not analyse migrants, the application of this theory defines various forms of capital through the study of migrations. This was applied in the following manner: economic capital is monetary and other tangible assets with direct economic value; social capital denotes relations or networks that make connections; cultural capital refers to education and learned

experience, while symbolic capital represents the legitimacy and credibility possessed by the migrant (Terjesen et al. 2009).

Transnational entrepreneurship can therefore be defined as a practice that is the “establishment of new business activities formed by the dual and complementary sum of habitus and field structuring the entrepreneurship activity” (Drori et al. 2010: 4). Entrepreneurship can thus be interpreted as a practice or action strategy through which decisions are made based on an individual’s response to his/her context, given an individual’s habitus and capital resource, as the determinants of someone’s social position in an area of activity. Using the interaction between human capital and specific knowledge and skills transnational entrepreneurs establish transnational networks and have the potential to expand the transnational space of their business operations.

### **Analysis of Results**

The various experiences in different phases of the life cycle have also created the various habitus of transnational entrepreneurs and their human capital, connected largely with the decisions to return and to establish an enterprise. A deeper analysis reveals that national identity expressed through the private and family sphere of life does not include non-integration into the business and public spheres, that is to say, in the labour markets of the admission countries. In spite of the fact that the majority of interviewees had maintained strong patriotism in their private sphere, in the business sphere they had managed to develop transnational identities and integrated themselves into the methods and standards of business operations in the admission countries. According to the distinction offered by Levitt (2001), we can say that they had developed “essential transnationalism” in the business sphere or “extended transnationalism” in their private spheres of life; this includes periodic transnational practices.

The cultural capital supplemented by transnational entrepreneurs while doing business in the destination countries includes the values of a proactive and entrepreneurial spirit, such as valuation of work, systematic quality, legality, the significance of quality, loyalty to clients, the importance of long-term investment and planning. This is without the expectation of gaining quick income. The entrepreneurs in Serbia formed the cultural capital of family values and the significance of social life and leisure time even before they went abroad.

This capital connects closely to social capital, which allows for high quality family and social lives where children grow up of in a family environment and families spend leisure time with close friends. It is from such networks of family and

friends that the entrepreneurs recruit their labour force. Recruiting people they can trust indicates an intrinsic relationship between cultural and social capital or rather the micro and macro level. One needs to emphasise the significance of the social capital derived from professional networks. It ensures credibility, legitimacy and a good image by constituting symbolic capital and the symbolic capital together with the social capital ensures jobs abroad. This kind of capital also constitutes information relevant for business operations and life in the transnational space as well as the emotional support relevant for adaptation to various environments. The economic capital of transnational entrepreneurs consists mainly of savings acquired abroad. They rarely used loans to start-up business operations: only one entrepreneur took a loan abroad. The social networks of friends, relatives and family (the so-called angel investors) also contributed to the economic capital of the transnational entrepreneurs.

The Study also analyses the ways in which the transnational entrepreneurs used their resources in order to develop transnational entrepreneurship and strategies to utilise opportunities and to overcome obstacles in the transnational space. The participants of the Study identified three different methods or courses towards entrepreneurship.

**The first course** involved those entrepreneurs who were born abroad or who had left Serbia during the course of their education. Some developed the entrepreneurial spirit during their education, while others even tried to conduct business during their studies.

**“I became involved in this business while I was a student. I started up a company with two of my partners just for sports, without any serious considerations. And this is how we played this business game for three years while I was studying, and of course nothing was created from it.”**

(IT - returnee from Canada)

The networks with colleagues from university could expand into business networks and this allowed for successful transnational business operations.

Entrepreneurs may also have relatives who on their own side represent a significant factor when opting for migration or in terms of facilitating adaptation to a new environment.

**„O“I left [Serbia, note by the authors] under an exchange program in high school, during my fourth year. I have a cousin in the US, and he encouraged me to apply. After the college I tried entering the university ... Then I was scared because the tuition was exceptionally high, but**

**my cousin guaranteed for me.”**

(IT - returnee from USA)

Contact with relatives can also be helpful in the successful start-up of businesses on various continents.

**“My cousin from Australia is an expert in web optimisation and he gradually started finding clients outside of the company. He had in mind to quit the job and to start his own company, recruiting cheap workforce here. I have returned from the US, I can speak English. I can communicate with clients so we undertook this job and started it up here... Several of us got together, his [the cousin’s - note by the authors] buddies, me and my neighbours from India. And we started working from home.”**

(IT - returnee from USA)

**The second course** involves those who studied and worked in Serbia (two interviewees had their own companies) but who had decided to emigrate due to the hard political and economic situation. These chose to improve their professional standing whilst waiting for the situation to become better in Serbia.

**“...as there is nothing of this project [family company - note by the authors], something is obviously going to happen here, and I cannot swim in muddy waters, I am going off somewhere... to learn English better, to learn how to do business, how business is done in another country, to become professionally improved...”**

(IT, - returnee from Great Britain)

Some of the interviewees used their professional networks to go abroad, enter postgraduate study or find employment. Some started businesses abroad through professional networks together with foreign nationals or their countrymen. In three cases, a married couple started a business with the help of professional networks.

**“We sought business contacts. We had a general idea that we would like to enter some kind of a monopoly business where we would be involved with a specific product, trade or services. We would be tied with a certain contract and we would try to gain as many agency rights or some kind of monopoly, so that we would have the least competition possible.”**

(Trade - a married couple returning from the USA)

Professional networks abroad were also used for advertising, image creation, gaining trust and securing foreign contracts.

**The third course** involves those who left Serbia due to poverty and passed a thorny road to successful entrepreneurship in Serbia and abroad. We had two such

interviewees: one was a manufacturer of light planes of world renowned quality and the other was the owner of food production and solar energy companies.

**“...I did not have enough money. I wanted to study, but I come from a very poor family. ... I had to leave school and look for a job. I have been working since I was 16. When I finished my army service, I went to Italy, to Europe, and I also worked in Germany and in some other countries. I started out as a truck driver and ended with the post of a certified court interpreter in Italy.”**

(Avionic industry - returnee from Italy)

**“It happened so that I understood early that I was not able to resolve my housing problem or to receive a social apartment in any way. Therefore, in order to organise my life, I had to earn quite a lot of money and to find an environment where I could establish myself. You see, I have never had anyone in my life to help me and be a jumping board for me to start business.”**

(Manufacturing - transnational migrant in Serbia and Slovenia)

Unlike the other interviewees, who had higher education, these two entrepreneurs had only graduated from secondary school. They struggled for success, doing various jobs in many countries. In this way, they developed broad professional networks and friend networks in various sectors. This helped them to do business in various areas and overcome obstacles to business operations.

**“Those are friendships created through construction jobs, through contacts with friends and the people I cooperate with in Serbia. Otherwise, everything that I have learned has been somehow along the way. I recognised Serbia as a country providing the most manoeuvring space for ad hoc operations, for potential profit through food production, because Serbia is untapped vast and yet untapped.”**

(Production - transnational migrant in Serbia and Slovenia)

If an entrepreneurship is to be successful at both ends of the transnational space the new undertaking must respond to the double challenge involving acquisition of global and local legitimacy, securing of funding and seeking of opportunities in more than one cultural, social and economic context (Wakkee et al. 2010).

When examining the structural opportunities that exist in the transnational space the interviewed entrepreneurs pointed out significant differences. These applied to the business climate, development levels and the opportunities to develop business activities between Serbia and the developed countries of the West. They singled out institutional stability that offers broad opportunities for business planning, simple procedures for opening and operating an enterprise as well as incentives on the part of the state, including subventions, tax benefits, opportunities to buy

off commodities and for their market placement, as the main advantages of the Western countries.

Contrary to this, what they emphasised about Serbia was the precarious and volatile socioeconomic environment, inadequate legal framework and the complicated procedures for starting-up companies.

**“What differs here from the regulated markets is that our system is not standardised, which bothers me very much. I like standardised things, because that way you can spot an error more easily, and then you can then correct it more easily, you can work on making sure that you never repeat it again, that is, you change the standard. Here there are no standards and our business environment in the region is at a disappointing level.”**

(Trade - returnee from the USA)

The interviewees also highlighted the complex administrative system, difficulties related to securing construction permits, the long and expensive customs procedures and procedures for the certification of diplomas/degrees. They stated that the manner of doing business often includes political connections, corruption, monopolies and illegal labour as well as the widespread presence of counterfeit products creating unfair competition.

**“In the first years from the fall of Milosevic the business in Serbia starts developing more seriously, and in this transitional period ... a lot of place was created for new people to accomplish something on this market. But those from the previous regime pulled themselves together very quickly after that. Games with tenders began: to position some members, to set up something in the text, to eliminate the unfamiliar...”**

(Trade - returnee from Hungary)

The main advantage of doing business in Serbia compared to the Western countries relates to lower costs for business operations. The interviewees pointed out the significance of the availability of an educated highly skilled yet significantly cheaper workforce in many areas compared to the Western countries. They also referred to the growing possibilities for business with foreign countries, in two big markets in particular: Russia and China.

## **Final Considerations**

Although it is still early, research into how migrant entrepreneurs contribute to economic progress in their countries (Newland and Tanaka 2010:3) does provide grounds to conclude that direct investment by these migrants can promote development in their country of origin. They can improve business operations,

create new jobs, introduce innovations and create economic, social and political capital through global networks. They can use the advantages of this social capital and understanding of foreign languages to establish a positive link between entrepreneurship and economic development. The examples of the Serbian transnational migrants corroborates this. The habitus of transnational entrepreneurs forms in two or more social fields. Embedding themselves into multiple settings and actively forming, modifying and strengthening their position in the field they provide a catalyst for social processes that can support their entrepreneurship activities (Levitt and Glick Schiller 2004, Morawska 2005).

They addressed the difficulties in the destination country related to the legalisation of status and attitudes towards immigrants by starting their business operations in Serbia. They overcame the small market, weak purchasing power and bad business climate in Serbia by placing services and products on foreign markets. Dual citizenship facilitated their movement in both the Eastern and Western markets. Transnational entrepreneurs used social, symbolic and cultural capital to modify the field, overcome the previous norms and cultural borders and modify the previous fields in order to accomplish their global goals (Drori and associates 2008).

The knowledge, values and social networks they develop in the countries of origin and destination helped them to make advantages out of obstacles. This allowed them to build specific working niches and thus reduce competition. They accomplished competitiveness through high-quality services, low prices, loyalty, a presence on large foreign markets and good transnational business networks. They achieved competitive prices through the low cost of business start-up, operations and the workforce in Serbia. They utilised their private and professional networks to find their workforce. In addition to securing the profitability of their own businesses, almost without any support from their mother country, they also constitute a significant resource for the development of the economy in Serbia.

By importing the entrepreneurial spirit and values of legalism and meritocracy they contribute to the creation of a good business climate. As indicated in Bourdieu's Theory of Practice, social structures "instil" mental structures into personalities and then those mental structures reproduce or change social structures (Drori and associates 2008).

The research mainly covers the transnational "entrepreneurs from opportunity" because they possess significant potential for the expansion of business operations within the transnational space and in this way can contribute to the development of the country. They can contribute both directly through economic investment and



indirectly through their ability to stimulate improvement in the organisation of the public and private sector in various ways.

During the research, the main recommendations that the interviewees made to the decision makers in order to stimulate entrepreneurship related to three areas. The first was the need to develop a more secure and safer society and business environment. The second was to improve information exchange and cooperation with migrants and returnees. The third was to develop a culture of work and a positive image of entrepreneurship. They believed that this would significantly contribute towards building the awareness that development of business operations in Serbia after prolonged residence abroad is possible.

## References

- Allen, J. (2003) *The Lost Geographies of Power*. Oxford: Blackwell.
- Bartel, C.A., and R. Garud (2009) The Role of Narratives in Sustaining. *Organizational Innovation. Organization Science*, 20(1), pp. 107–117.
- Basch, L., N. Glick Schiller, and C. Szanton Blanc (1994) *Nations Unbound: Transnational Projects, Postcolonial Predicaments and Deterritorialized Nation-States*. London: Routledge.
- Bourdieu, P. (1993) *Sociology In Question*. London: Sage.
- Drori, I., B. Honig and A. Ginsberg (2010) Research transnational entrepreneurship: an approach based on the theory of practice. In: B. Honig, I. Drori and B. Carmichael (eds.) *Transnational and immigrant entrepreneurship in a globalized world*. Toronto and London: University of Toronto Press, pp. 3–30.
- Drori, I., B. Honig and A. Ginsberg (2008) Transnational Entrepreneurship: The Habitus of Cross-Cultural Affiliation, Paper presented at the annual meeting of the SASE Annual Conference, Temple University, Philadelphia, PA, USA.
- Faist, T. (2008) Migrants as transnational development agents: an inquiry into the newest round of the migration-development nexus. *Population, Space and Place*, 41, pp. 21–42.
- Faist, T. (2000) *The Volume and Dynamics of International Migration and Transnational Social Spaces*. Oxford: Clarendon Press.
- Levitt, P. and N. Glick Schiller (2004) Conceptualizing Simultaneity: A Transnational Social Field Perspective on Society. *International Migration Review*, 38, pp. 1002–1039.
- Levitt, P. (2001) Transnational migration: taking stock and future directions. *Global Networks*, 1 (3), pp. 195–216.
- Morawska, E. (2005) Immigrant Transnational Entrepreneurs in New York: Three Varieties and Their Correlates. *International Journal of Entrepreneurial Behavior and Research*, 10, pp. 325–348.
- Newland, K. and H. Tanaka (2010) *Mobilizing Diaspora Entrepreneurship for Development*. Washington, DC: Migration Policy Institute.
- Portes, A. (1995) Economic sociology and the sociology of immigration: a conceptual overview. In: A. Portes (ed.) *The economic sociology of immigration: essays on networks, ethnicity and entrepreneurship*. New York: Russell Sage Foundation, pp. 1–41.
- Portes, A., L. E. Guarnizo, W. Haller (2002) Transnational entrepreneurs: an alternative form of immigrant economic adaptation. *American Sociological Review*, 67 (2), pp. 278–298.
- Raghuram, P. (2009) Which migration, what development? Unsettling the edifice of migration and development. *Population, Space and Place*, 15 (2), pp. 103–117.
- Saxenian, A. (2002) Silicon Valley's new immigrant high-growth entrepreneurs. *Economic Development*

*Quarterly*, 16 (1), pp. 20-31.

Saxenian, A. (2005) From brain drain to brain circulation: transnational communities and regional upgrading. *India and China. Studies in Comparative International Development*, 20 (2), pp. 35-61.

Skeldon, R. (2010) Migration and development over twenty years of research: progress and prospects. In: C. Audebert and M. Kamel Dorai (eds.) *Migration in a globalised world new research issues and prospects*. IMISCOE Research: Amsterdam University Press.

Terjesen, S. and A. Elam (2009) Transnational entrepreneurs' venture internationalization strategies: a practice theory approach. In: *Entrepreneurship theory and practice*. Baylor University, pp. 1093-1120.

Wakkee, I., P. Groenewegen and P. Danskin Englis (2010) Building effective networks: network strategy and emerging virtual organizations. In: B. Honig, I. Drori and B. Carmichael (eds.) *Transnational and immigrant entrepreneurship in a globalized world*. Toronto and London: University of Toronto Press, pp. 75-99.

---

<sup>1</sup> The research was conducted under the project Transnational Networks, Transnational Entrepreneurship and the Role of the State. It was supported by the Regional Research Promotion Programme in the Western Balkans (RRPP) coordinated and led by Fribourg University, Switzerland.

**Aleksandar Bozic, M.Sc., Independent Researcher**  
**Alumni Member of the Faculty of Social Sciences, City London**  
**University, Great Britain**

## **INTERNATIONAL MOBILITY AND KNOWLEDGE FLOW: EXPERIENCES OF YOUNG EXPERTS UPON RETURN TO BIH FOLLOWING COMPLETION OF POSTGRADUATE STUDIES ABROAD<sup>1</sup>**

### ***Summary***

*The focus of this paper is an analysis of the academic mobility of students and researchers from Bosnia and Herzegovina who opted to continue their studies or professional improvement at universities abroad. At the same time, it looks at young experts who after acquiring foreign higher education qualifications, through temporary residence outside of BiH, showed the readiness and had the capacity to return to their countries to transfer the knowledge they had acquired at an early stage of their professional development.*

*The research included 148 interviewees who had experience of mobility and temporary residence abroad after having attended postgraduate studies at international universities. The aim of the research was to provide an evaluation of the value of the acquired professional knowledge, customs and skills of this specific group of returnees. It analyses their position within the labour market as well as the existing opportunities for knowledge transfer aimed at improved economic and social development.*

**Key Words:** *academic mobility, brain gain, human capital, circular migration.*

---

<sup>1</sup>An earlier and longer version of this research was published in 2012 titled “A Two Way Ticket: Return Migration of Tertiary Postgraduates as a Potential Channel of the Brain Gain Process in Bosnia and Herzegovina”, completed under the research fellowship programme Generations in Dialogue of the ERSTE Foundation, Austria. It focused on researching the social transformation processes in the countries of Central and Eastern Europe. The ERSTE Foundation approved the edited paper.

## Introduction

The ever increasing globalisation of the labour market has created the need for a more mobile workforce, the more efficient use of knowledge and internationalisation of the higher education sector. This has increased the number of mobile students and education and research staff across the world multiple times (Cohen and Kennedy 2007, Ozden and Schiff 2006, Perrons 2004, Martin 2007, Ean-Khoo 2007). Residence abroad for a certain study period contributes significantly to the improvement and capacity of human capital, strengthens market competitiveness and constitutes a key resource for development and the revitalisation of the economy in the mother country. At the same time, the movement of highly educated individuals to countries that can provide them more favourable economic and social conditions may result in permanent migration for the most entrepreneurial and the most educated in a society. There is the impression that in underdeveloped or developing countries higher education and professional improvement are perceived as the safest path for escape from a staggering economy or a bad political situation (Kosher 2007).

Authors Mayer and Peri (2008) indicate an ever increasing trend of international mobility in the global world, which promotes “brain circulation”. Individuals leave their country following the direction of movement of knowledge and capital, frequently returning then leaving for some other country. This is a process that is often viewed as one of the solutions for converting “brain drain” into “brain gain”. However, those countries facing a significant drain of their citizens also face a chronic shortage in terms of the expert workforce. This leads to a lack of invention and competence within the labour market and hence can result in a lack of ability to recognise the professional competence and potential of highly qualified returnees.

At the same time, foreign governments and institutions of higher education have allocated significant funding for selective and competitive scholarship schemes for youth in BiH with a view to the acquisition of additional education abroad. The idea is that upon return the acquired skills and knowledge will exert a positive influence over the growth of productivity in the country of origin. The specialised competences are then converted into economic, social and cultural capital. The question remains whether those persons with foreign qualifications are returning to BiH and if so can the overall level of their acquired professional skills and knowledge materialise into work and create economic value in the domestic market? This question has extraordinary significance for countries such as Bosnia and Herzegovina facing numerous transition related challenges.

## **Methodology**

### **Goal of the Study**

The goal of the Study is to understand the key aspects of the processes of temporary migration. This includes mobility as a means to gain education, the flow of knowledge and brain gain, identifying obstacles and opportunities for the return of expert staff after they have acquired academic qualifications at foreign universities and the recognition of this important human capital by the labour market and society in general.

### **Specific Objectives**

Identify the profiles of those young experts who after completing their professional improvement abroad opt to return to BiH, with emphasis on their professional, education, gender and social and cultural characteristics.

Assess the professional status of returnees, their position in the labour market, the application of the acquired knowledge and existing opportunities for professional advancement.

Establish the experiences of returnees in BiH related to the method and regulation for nostrification of the acquired foreign diplomas/degrees.

Determine the significance of the returnees' social networks established during migration, primarily in the process of investment activity, transfer of knowledge and professional development.

### **The Sample and Sampling Method**

Given the lack of an official estimate on the size of the target population, the snowball sampling method was used (sample based on the snowball principle). The interviewees were identified through the smaller initial available portion of this population who meet the criteria set forth for entering the sample. The initial source provided the required information to identify other members of this population: the former providing references to their acquaintances and friends who had experience of education abroad. At the same time, requests were sent to access information from public, academic and international organisations in BiH. The Internet polling applied the online polling software tool Survey Monkey and lasted for one month. In total, 148 interviewees completed a questionnaire that consisted of 32 questions structured into five areas.

## Results

### Profile of Returnees with Acquired Foreign Qualifications

In order to identify the profile of those young experts who opt to return to BiH after temporary migration aimed at education, the socio-demographic structure of the interviewees was examined with emphasis on their professional, education, gender and social and cultural characteristics.

We can conclude based on the analysed data that the modular profile of these returnees covers persons aged between 30 and 35 of an almost equal gender structure who have completed postgraduate study (masters or doctorate) in the area of social sciences. They most frequently studied in English speaking countries supported by scholarships provided by foreign governments or universities.

The highly educated interviewees with the experience of academic mobility most frequently started and completed their undergraduate studies in Bosnia and Herzegovina (53.5% started and 65.3% completed), whereas postgraduate studies were most frequently started and completed abroad (89% completed).

When assessing the data pertaining to the selection of country for the purpose of continued education and professional development out of the 18 countries identified a dominant number of interviewees had experienced study in the United States (39.4%) and Great Britain (31.5%). The analysis also shows that a smaller number of persons possessed multiple mobility experiences where they started and completed their masters studies in one country but completed their doctoral studies in another country. A noticeably high proportion of interviewees from the poll had acquired qualifications in states in the region as opposed to outside. As for the areas of scientific study, the interviewees most often opted for study programmes in the areas of the social sciences or more specifically economy, law and political sciences. Of the 148 interviewees involved, 69.59% acquired qualifications in one of the three above stated scientific disciplines.

### Scholarship Programmes

The type of scholarships offered to BiH citizens for professional development at higher education institutions abroad certainly affected the selection of the scientific areas. More than half of the interviewees (60%) stated that they covered the cost of their education or professional development abroad through government scholarships from the host country or scholarships provided by the higher education institutions where they studied (21.7%). Significant funding

is involved and therefore constitutes a form of international assistance to BiH through strengthening the professional staff in the country. The Prime Minister of Great Britain corroborated this statement when he pointed out that over the past ten years Great Britain has invested over four million pounds through the Government's Chevening Scholarship. This scholarship applies exclusively to postgraduate study within the domain of the social sciences, enabling more than 80 citizens of BiH to accomplish professional development at universities across Great Britain.

Over the past fifteen years of socioeconomic, political and democratic development and post-war transition in BiH there has been a noticeable increase in the need for certain knowledge, skills and competences in the area of social sciences. This to a certain extent has influenced the adjustment and allocation of foreign scholarship programmes in accordance with the market needs.

It should be mentioned that the competent ministries for education and science at the entity level have also allocated a certain portion of budget funding for scholarship programmes that allow students from BiH to study abroad. Of the total number of interviewees, 12.3% confirmed that they had benefitted from the scholarship programmes of the competent ministries of the Government of the Federation of BiH and the Government of RS. Yet there is a lack of specific data and expert analysis in the area of systematic record keeping that restricts recognition of the return process for educated staff. Therefore, this also applies to the application of key competences and acquired qualifications in the area of the development of the economy and society as a whole. A central database would enable more efficient monitoring of the process after the academic mobility has ended; however, such a database has yet to be established.

## **Recognition of Foreign Education Qualifications**

RPrevious analyses completed by the Association of Former Chevening Alumni in BiH in relation to the existing system of diploma/degree nostrification in BiH identified some significant difficulties in the process of recognising diplomas/degrees acquired outside the country. Since August 2007, the Framework Law on Higher Education has been in effect. The aforementioned Law prescribes that the competent entity ministries decide on the recognition of diplomas/degrees acquired outside of BiH for the purpose of employment. It further prescribes that institutions of higher education are responsible for continued education. All of this is based on the recommendation of the Centre for Information and Recognition of Documents in the Area of Higher Education, which is an institution that acts autonomously at the state level. The Centre does not recognise diplomas/degrees

but only provides information on where interested parties may acquire this.

Having in mind the fact that extensive competencies rest with the entity level ministries, the research conducted by a group of authors from the organisation ACIPS BiH (Nikolic et al. 2010) concluded that some universities and cantonal governments perform nostrification based on the laws at that level. A large number of cantons still obey the traditional diploma/degree recognition system. It seems that in Republika Srpska the nostrification system is somewhat more regulated, given the activity of the single commission within the Ministry of Education and Culture of RS. The Commission recognises diplomas/degrees acquired outside of BiH and was formed in compliance with the Law on Higher Education of RS.

This involves so-called formal recognition, given that many young experts previously faced denial of diploma/degree recognition due to the nomenclature of professions in BiH that did not include a similar profession. Another problem identified in practice is scientific and education related in nature. The division into branches and fields within a specific scientific discipline follows the assumed category and related strictness; therefore, if there is no table to recognise the 'new' disciplines then the scientific practice either 'translates' them into the existing categories or simply rejects them. In the same way, labour and employment regulations are not adjusted to recognise foreign qualifications. In the broader context, this provides a great basis for the gradual exclusion of interdisciplinary theoretical fields that are of no interest to the market. The latter may create an additional negative phenomenon called *brain waste* or loss of the potential possessed by highly skilled returnees.

### **Professional Status of Highly Educated Returnees**

Indisputably, the highly qualified experts with experience of education outside their country of origin constitute a significant human potential for any country in terms of the promotion of innovation and development of market competition. As to promising human resources who through the transfer of knowledge could contribute to the better development of the public and private sectors it is expected that upon their return they would be offered an opportunity for easier integration into the labour market, including employment. The results obtained through the employment assessment are in favour of the aforementioned assumptions.

Upon their return to BiH from abroad 81% of interviewees found employment, while 19% had the status of unemployed persons. Interestingly, it took half of the interviewees (54.7%) who returned to the Federation of BiH on average one to three months to find a job. Half the returnees to Republika Srpska (56.3%)



had to wait for a longer period to find employment, namely from four to twelve months and even for longer. The largest group of returnees who belonged to the group of unemployed persons had returned to the country during the period from 2007 and 2011. This period was characterised by the world economic crisis, the consequences of which directly affected the labour market in BiH through a strong increase in unemployment and reduced imports.

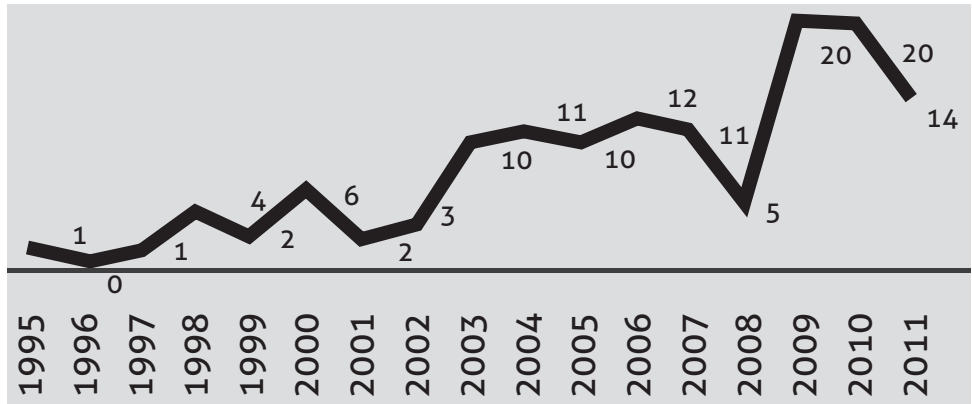


Chart 1.1: Dynamics of interviewee return by years

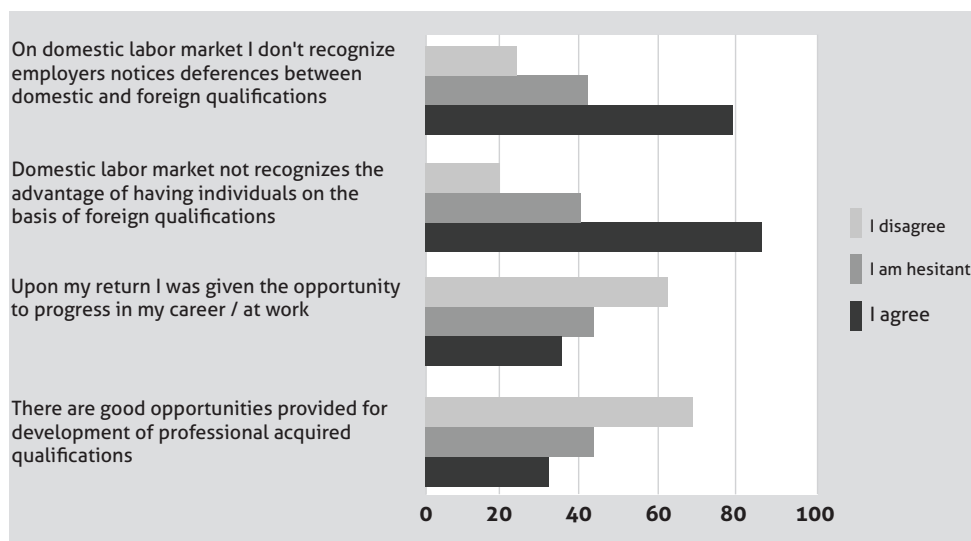
In terms of the sectors in which young educated experts became employed, the largest number received jobs in the public sector (50.9%), in the private sector (28.1%) and in the international sector: international organisations, foreign embassies or consulates (14.0%) and non-governmental organisations (11.0%).

Of the total number of interviewees, only 6.2% started an independent business. Such a modest number of those who decided to start-up a private entrepreneurship after return is most probably linked to the inadequate level of government support for stimulation and development of small and medium size businesses. At the same time, the unfavourable socio-political and economic situation combined with the tax policy in the country makes it even harder to take the decision to start-up an independent business.

### **Valuation of Mobility, Acquired Knowledge and Skills in the Labour Market in BiH**

With the intention to perform an assessment of the experiences and attitudes of interviewees related to the valuation and recognition in the domestic labour market of professional knowledge and skills acquired through temporary study abroad an analysis of data was completed. The emphasis

was on professional development, opportunities for career advancement and the recognition of the acquired qualifications on the part of employers.



**Chart 1.2: Assessment of attitudes related to the valuation of acquired qualifications**

In the attitudes expressed by the interviewees through the determination of their level of agreement with the claim that good opportunities are available for professional development through the acquired qualifications the negative attitude was prevalent. In terms of professional development, 41.3% were not in agreement with the aforementioned claim and 30.6% were undecided, while a smaller group of interviewees held a different opinion (28.1%).

There was an evident difference in attitudes in relation to the gender of the interviewees. The majority of male interviewees (33.2%) believed that good opportunities were available for professional development through the acquired qualifications; however, the majority of female interviewees (47.8%) did not agree with the aforementioned claim.

In terms of professional advancement, a negative attitude was present amongst the returnees towards the claim that upon return there is an opportunity offered for career advancement through the acquired qualifications (44.5% did not agree). The analysis of interviewees' attitudes in relation to the openness of the labour market to those who have acquired qualifications and expert skills abroad shows that about two-thirds of interviewees (65.6%) agreed with the claim that the domestic labour market does not recognise the advantages possessed by such

persons. At the same time, the majority of interviewees (48.8%) agreed with the claim that employers do not see any difference between the qualifications acquired at domestic and foreign higher education institutions.

In order to assess the level of valuation of the knowledge and skills in the professional environment in relation to the sector in which the interviewees were employed, responses were analysed based on the four offered claims. Interestingly, the prevailing opinion amongst half of the interviewees was that their work colleagues respected them for their professional knowledge and skills. However, when the interviewees employed in the public sector wished to apply new working methods in their working environment most frequently they encountered misunderstanding and disapproval. On the other side, those who worked in the private and non-governmental (83%) and international sectors (50%) faced the aforementioned difficulties to a much lesser extent. Those employed in the public sector believed that their current professional post was not in accordance with their acquired expert knowledge and skills.

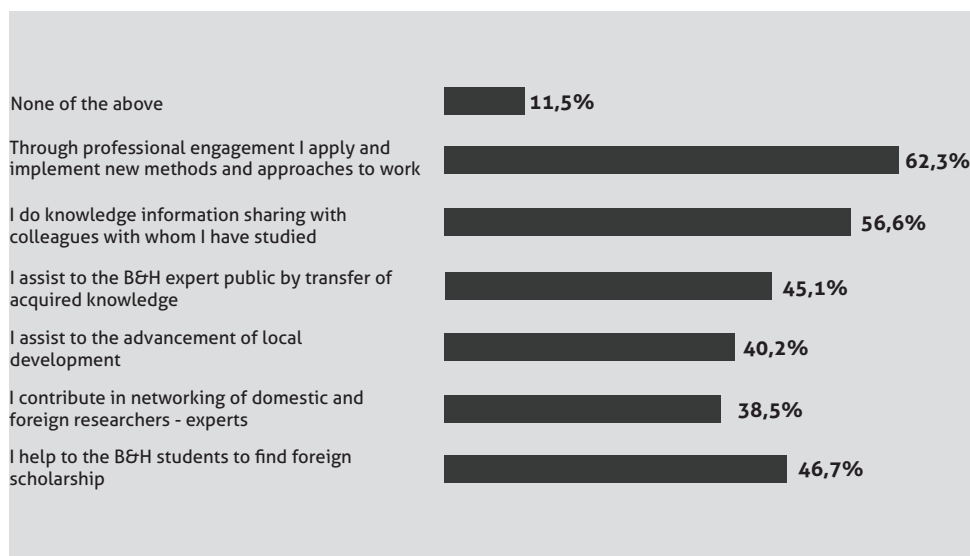
When it came to assessing the level of satisfaction amongst the interviewees with their professional status in BiH most were satisfied with their working conditions and partially satisfied with their financial status. The feeling of displeasure was most expressed when it came to their inability to achieve professional advancement; this was more prevalent amongst the females interviewees than the male. Considering the professional environment in which the interviewees were involved professionally, there was a general assessment from all of the four mentioned sectors that they were not offered sufficient opportunity to apply fully the knowledge and competencies they possess. They attributed this to the prevailing rigid approach in the working systems.

### **Significance of Networking in the Process of Transfer of Knowledge and Development**

After completing their education and upon returning to their mother country, in addition to the expertise and new skills the young experts had the contacts that they had established during their studies or temporary residence abroad. These contacts constitute significant professional, scientific, technical and political networks and links between the mother country and the country in which they were educated. According to certain authors (Trice and Yoo 2007, Stark and Fan 2007), the aforementioned networks allow for the transfer of knowledge and technological innovations as well as for the expansion of democratic values and norms. This may compensate significantly for sources of knowledge and information that were lost in the process of brain drain in the mother country.

In view of their experience of networking and linking the majority of interviewees (74%) possessed membership in domestic and foreign expert organisations or associations, while a little below half (48 %) also belonged to organisations involved in scientific research activity.

When asked whether they were using the contacts and professional networks acquired through membership of the aforementioned organisations for professional purposes just over half of the interviewees (51.2%) responded positively, while 22.4% regularly did so.



**Chart 1.3: Manner of contributing to the development of BiH after return**

The dominant attitude when assessing the manner in which the highly educated experts contributed to the development of BiH through their experience was that they did so most frequently through their professional involvement, by applying new methods and approaches to their work (62.3%). One half of the interviewees (56.6%) shared information and current knowledge with their colleagues with whom they had studied abroad, all aimed at the most successful possible development of the professional area in which they were involved. A number of highly educated experts (46.7%) also helped students in BiH to find foreign scholarships. The interviewees most frequently expanded their acquired knowledge to the expert public in BiH through the presentation of papers at conferences or through lectures/teaching sessions (45.1%). They also made a significant contribution through the provision of support to project activities aimed at the development and improvement of local communities (40.2%). A smaller group of

interviewees (38.5%) took part in the process of connecting domestic and foreign research professionals. The analysed data indicates that young experts, in spite of the personal benefits gained during their education abroad, made additional efforts to improve the unfavourable context in Bosnia and Herzegovina.

Taking into consideration all of the circumstances found today in Bosnian and Herzegovinian the motivation for potential new departure from BiH is more than present. The intention to leave BiH due to the situation in the country, but this time for a much longer period, was indicated by 34.9 % of the interviewees. On the other hand, based on their past positive experiences of academic mobility, 31.0% of interviewees were planning to emigrate temporarily in order to gain expert and professional development. Those not sure about the decision to depart again for abroad was confirmed by 22.2%. A very small group of interviewees (11.9%) was not considering departure because they were satisfied with their life in BiH.

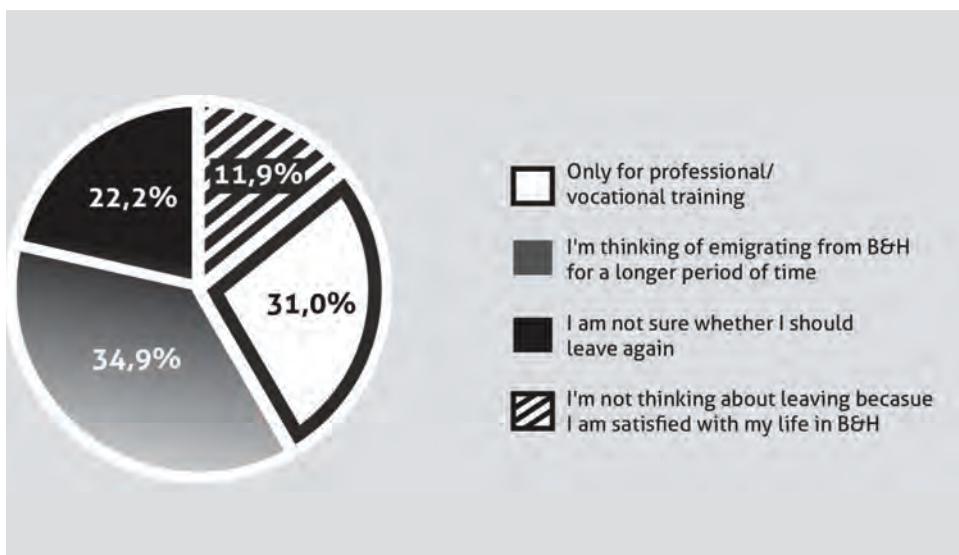


Chart 1.4: Assessment of attitudes on new departure from BiH

## Conclusion

The analysed data shows that the highly educated interviewees with experience of academic mobility most frequently started and completed their undergraduate studies in BiH, while their postgraduate studies were most frequently started and completed abroad. Government scholarship from the countries in which the interviewees resided or scholarships from the institutions of higher education at which they studied for the most part covered the cost of their education or

professional development abroad.

There is a serious lack of adequate databases, monitoring, records and expert analyses at the competent ministries in relation to the number of highly educated returnees, their acquired qualifications and expert knowledge and key competences. Also lacking is information on their inclusion in the labour market and their current employment status. This clearly indicates that the issue of the return of educated staff and the recognition of their potential as a significant human and intellectual capital does not rank highly on the list of priorities of the entity ministries. It further indicates insufficient recognition of the significance of brain gain within the context of social development.

The experiences of the interviewees so far indicate that both the education system and the labour market are not able to evaluate 'new' interdisciplinary knowledge, which is very characteristic of social sciences studied at foreign institutions of higher education. Although the interdisciplinary study programmes bring a certain variety directed towards the development of a broad spectrum of competencies, due to the inadequate approach the domestic labour market fails to give sufficiently recognition to this area. This is also due partly to the fact that employers are not sufficiently informed about the level of education related to foreign qualifications. In addition, it is harder to find permanent jobs for those persons who have returned to BiH over the past several years because of the global economic crisis. A surprisingly high percentage of returnees have entered the public sector, while the lowest number is involved in the non-governmental sector.

An analysis of the data with an emphasis on professional development, opportunities for career advancement and recognition of the acquired qualifications has established that advanced knowledge and skills cannot be fully applied in the scattered and inefficient labour market in BiH. The interviewees employed in the public sector usually face disapproval when they attempt to introduce new methods into their working environment and this group expressed strong dissatisfaction due to their inability to advance with limited opportunities for professional development. In terms of finding jobs, naturally returnees must make certain compromises related to salary and choice of sector.

When assessing the contribution made by the returnees to the development of BiH, based on their experiences acquired through education abroad, we can conclude that the majority of interviewees most frequently do so through their professional involvement. This involves the application of new approaches to their work as well as through the exchange of knowledge and information with colleagues with whom they studied abroad. In the context of the significance of networking in the process

of transferring knowledge and development, the interviewees utilised professional networks realised through membership of expert and scientific organisations abroad in the development of the area in which they are professionally involved. Nevertheless, an analysis of the motivation for potential new departure from BiH shows that a dominant number are considering leaving again, for good or for a temporary period, in relation to those who have no such intention.

## References

- Boswell, C. (2005) *Migration in Europe*, A paper prepared for the Policy Analysis and Research Programme of the Global Commission on International Migration, Hamburg: Migration Research Group, Institute of International Economics.
- Bracht, O., Over, A., Schomburg, H. and Teichler, K. (2006) *The Professional Value of ERASMUS Mobility*, Final Report, International Centre for Higher Education Research (INCHER-Kassel), University of Kassel, Kassel, Germany.
- Centre of Policy and Governance (2010) *Report on Human Capital Development in Bosnia and Herzegovina*, Sarajevo, Bosna and Herzegovina.
- Cohen, R. and Kennedy, (2007) *Global Sociology*, Palgrave, London (revised edition)
- Ean Khoo, S., Voigt-Graf, C., McDonald P. and Hugo, G. (2007) *Temporary skilled migration to Australia: Employers Perspectives*, International Migration Journal, vol.45, no.4, pp. 135-175, IOM Publications.
- Fargues, P. (2011) *International Migration and the Demographic Transition: A Two-Way Interaction*, International Migration Review, New York, vol. 45 no 3, pp.588–614.
- Forstenlechner, I. (2010) *Brain Drain in Developed Countries Can Governments do Anything to Bring Expatriates Back? Public Policy and Administration* vol.25, no.2, pp.156-174, Sage Publications
- Hoogvelt, A. (2001) *Globalization and the postcolonial world*, 2nd edition, the UK: Palgrave.
- Huber, P., Landesmann, M., Robinson, C. and Stehrer, R. (2010) *Migrants' Skills and Productivity: A European Perspective*, National Institute Economic Review no.213: R20, Sage Publication.
- Jenssen, J.W. and Storen, A.L. (2010) *Foreign Diploma Versus Immigrant Background: Determinants of Labour Market Success or Failure?*, Journal of Studies in International Education, vol.14, no.1, pp.29-49, Sage Publication.
- Jenssen, W. J. (2008) *Does Higher Education Attained Abroad Lead to International Jobs?* Journal of Studies in International Education, no.12, pp.101-132, Sage Publication.
- Kangasniemi, M., Winters, L.A. and Commander, S. (2004) *Is the Medical Brain Drain Beneficial? Evidences from Overseas Doctors in the UK*, Centre For Economic Performances, London School of Economics and Political Sciences, UK.
- Kosher, K. (2007) *International migration: A very short introduction*, Oxford University Press.
- Linden, T., Arnold, N. and Vasiliev, K. (2008) *From Fragmentation to Cooperation: Tertiary Education, Research and Development in South Eastern Europe*, Education Working Paper, World Bank, (Online), Available at: [http://siteresources.worldbank.org/EDUCATION/Resources/278200-1099079877269/547664-1099079956815/EWPS13\\_Fragmentation\\_to\\_Coop\\_En.pdf](http://siteresources.worldbank.org/EDUCATION/Resources/278200-1099079877269/547664-1099079956815/EWPS13_Fragmentation_to_Coop_En.pdf) (accessed 05. July.2014).
- Lowell, L.B. (2001) *Some Development Effects Of The International Migration of Highly Skilled Persons*, International Migration Papers 46, International Labour Office Geneva.
- Mayer, K. and Peri, G. (2009) *Brain Drain and Brain Return: Theory and Application to Eastern-Western Europe*, Department of Economics at UC Davis, USA.
- Mayer, K. And Oeri, G. (2008) *Return Migration as a Channel of Brain Gain*, Working Paper 14039, National

Bureau Of Economic Research, Cambridge, USA.

Martin, P., Cross, S. and Martin, S. (2007) High-level dialogue on migration and development, *International Migration Journal*, vol. 3, no.1, pp.7-23, IOM Publication.

Nikolić, S., Mraović, B. And Cosić, E. (2010) *Brain Gain: How to return, keep and bring back professionals in BiH*, Association Alumni of the Centre for Interdisciplinary Postgraduate Studies, Sarajevo, BiH.

Ozden, C. and Schiff, M. (2006) *International migration, remittances & the brain drain*, New York: Co publication of The World Bank and Palgrave Macmillan.

Perrons, D. (2004) *Globalization and social change: People and places in divided world*, London: Routledge.

Pozzi, A. (2011) *The Development Potential of BiH Diaspora*, Report of Program recruitment and retention of youth, UNDP and Ministry of Refugees and Displaced Persons BiH, Sarajevo, BiH.

Schiff, M. (2005) Brain gain: claims about its size and impact on welfare and growth are greatly exaggerated, Discussion Paper No. 1599, (Online), Available at: <http://ftp.iza.org/dp1599.pdf> (accessed 17 July 2014).

Stark, O. and Fan, S. C. (2007) Losses and Gains to Developing Countries from the Migration of Educated Workers, *World Economics*, Vol.8, No.2, pp. 259-269.

Tremblay, K. (2005) Academic Mobility and Immigration, *Journal of Studies in International Education*, 9: 196, Sage Publication, (Online), Available at: <http://jsi.sagepub.com/content/9/3/196> (accessed 12. September 2011) .

Trice, G. A. and Yoo, E. J. (2007) International Graduate Student's Perceptions of Their Academic Experience, *Journal of Research in International Education*, vol.6, no.1, pp.41-66, Sage Publication.

Uvalic, M. (2005) Science Technology and Economic Development in South Eastern Europe, Science Policy Series N1, UNESCO, Venice, (Online), Available at: [unesdoc.unesco.org/images/0014/001414/141495e.pdf](http://unesdoc.unesco.org/images/0014/001414/141495e.pdf) (accessed 01.July 2014).

UNDP (2009) *National Human Development Report-The Ties That Bind, Social Capital in Bosnia and Herzegovina*



**Marina Peric Kaselj Ph.D, Scientific Associate**  
**Institute for Migration and Ethnicities, Zagreb**

## **IS IT ENOUGH TO LOVE YOUR HOMELAND? THE CROATS OF BOSNIAN POSAVINA: EXAMPLE OF THE MUNICIPALITY OF DERVENTA - BETWEEN THE DESIRE AND IN/ ABILITY TO RETURN**

### ***Summary***

*The subject of the research is the migration of Croats from the Municipality of Derventa in the Bosnian Posavina who have residence/citizenship in the area of the City of Zagreb and the Zagreb Canton in the Republic of Croatia. The epistemological and methodological approach to migration uses a combination of two levels of analysis: from the bottom (from the very people, the interviewees) and from the top (ethnic associations). The multiplicities of migrant experiences amongst Derventa Croats are examined from the period of the WWII up until the present. The causes are a consequence of different economic and political factors. The importance of migrant organisations or the institutional aspect of ethnicity is shown through the Association of Bosnian Croats UBH Prsten. It is suggested through two levels of analysis that the irrational and subjective dimension of ethnicity defined as 'love for one's homeland' has a crucial role to play in the preservation of ethnic identity and thus influences the desire and the creation of opportunity to return.*

**Key Words:** *Bosnian Croats, migration, ethnic identity, migrant organisations, migrant experience.*

### **Introduction**

The Bosnian Croats residing in Croatia (Zagreb) have turned from labour migrants, refugees and displaced persons into an economically and culturally well-integrated group within Croatian society, but with a strongly emphasised individual/collective dimension of belonging to their homeland. In this paper, we address the specific migrant experiences that have marked and defined them.

Through individual<sup>1</sup> in-depth interviews, lasting from sixty to ninety minutes,

nine interviewees of various ages<sup>2</sup>, professional status<sup>3</sup> and gender<sup>4</sup> were covered. The interviews were conducted in relaxed conditions using a discrete research structure. The interviewees were allowed to set the dynamic of the interview so that they would spontaneously express what they believed to be most important and relevant. Three families (spouses and children together) participated in what was termed focus group discussions<sup>5</sup>, which lasted for some four hours. The families were asked to look back retrospectively at their lives in the period prior to the last war, then the war period itself and life as a refugee up until the present in Croatia as well as their plans for the future. In this way, we passed through the first level of analysis of the various migrant experiences of Croats from the Municipality of Derventa and their ethnic/national identity.

We then included one more level of analysis focused on the institutional aspect of ethnicity as seen through the UBH *Prsten*, which is a gathering of the economic and intellectual elite of the Bosnian Croats. The latter has a high ethnic rating and features a strong lobby group in media circles, given that part of its members (club of businessmen) belong to the very top of the Croatian economic elite. After a formal meeting and introductory conversations with the management of the association, a written questionnaire was formed containing 80 questions divided into several sections<sup>6</sup>.

The Bosnian Croats<sup>7</sup> have been hoping for and desiring a return to their homeland ever since the end of the last war yet as time passes (almost two decades) the ability to implement physical return is decreasing. In this paper, we hope to answer the following questions:

Who are Bosnian Croats? Are they a specific ethnic or migrant community in Croatia? Are they a single community? What is their attitude towards their homeland? How much is the issue of return a desire, ability, reality or something else for them?

Therefore, we have opened the question as to whether the irrational and subjective dimension of ethnicity defined as love for one's homeland can be a sufficient condition and driving pulse to confront the actual circumstances and create new solutions.

### **The Multiplicities of Migrant Experiences: Various Migrant Roles within the Migration Process**

We could define the migrant experience as a sum of various individual/collective migrant perceptions caused firstly by physical movement from their country of

origin to other countries where they lived and worked, whilst passing through a number of socio-cultural and integration processes. We could also use Meznaric's definition (1991: 89) of the "Practical consciousness of migrants in their everyday lives and perception of themselves as members of a lower stratum in the migration environment".

Throughout history, due to various political and economic reasons, the Croats of the Bosnian Posavina have been forced to migrate and thus became more prone to migration; however, this was always linked to a strong motivation to return as the natural final state of migration. Although deemed definite by some migrants, return often proved to be temporary and the migration, remigration and return process would begin anew. Therefore, the form of multiple migrant experiences is applicable. This includes several different migrant roles: employees on temporary work, refugees, re-emigrants, transmigrants and returnees. Each of our interviewees had been or still is today in a situation that includes two or more migrant roles.

In the WWII post-war period the area of the Bosnian Posavina and the Municipality of Derventa had a large number of political emigrants, who in the NDH<sup>8</sup> were members of the Ustasha or Domobran Army. This cause as one part in combination with the economic factor caused further migrations. In socialist Yugoslavia, the term political emigrant included enemy emigration; the latter differed from the economic migrants or those employees in temporary work abroad. In spite of the model of unification expressed through citizenship (Yugoslavs) there were visible differences in the Municipality of Derventa between the members of different ethnic groups. The geographical division into predominantly Croat, Bosniak and Serb villages as well as the insignificant number of mixed marriages and the low number of nationally declared 'Yugoslavs' supports this concept. To be a Croat had certain implications (collective guilt for the crimes of the Ustasha) and our interviewees stressed that they deemed themselves to be "Ustasha".

This also meant a certain position in society in terms of education, employment, etc. Although Croats naturally gravitated towards Croatia, ranging from the weekly purchase, education and internal labour migrations, a large number of Croats from this area moved abroad. This occurred principally after the opening of the 'state borders' in the sixties of the past century, more precisely in 1963 when the "Instruction on the Act of Employment Abroad" was passed and the term "employee on temporary work abroad" was introduced (Mesic 1991: 17).

Emigration from Yugoslavia intensified in the mid to late sixties of the twentieth century, mainly after the economic reform that was to allow transition from an

agricultural into an industrial country, “from development based on the use of agrarian overpopulation into development based on technological progress” (Mesić 1991: 14).

A consequence of the reform was a surplus workforce. A large number of the then unemployed (Croat) Yugoslavs opted to emigrate for temporary work in the industrially developed countries of Western and Northern Europe. Our interviewees said that there was not a single house in the Croat villages without at least one family member abroad. The money from abroad was used to help the family in their native land (in the majority of cases grandparents or other closer relatives raised the children).

Here one can speak about the economic theory of migration, the so-called planned earnings (Lindstrom 1996). From the very beginning, migrants had the goal to secure certain financial assets and then return. Those who returned started up private businesses with the secured financial assets, mainly smaller trades. As early as this period and continuing through the seventies and eighties they began to create and expand migrant networks. The latter we can define as “sets of interpersonal links that connect migrants, former migrants and non-migrants in the areas of origin and destination through relations of kin, friendship and common local origin” (Massey and associates 1993: 448, Mesić 2012: 350). Theories on social networks emphasise that such migrant networks play a crucial role when making decisions on migration and return.

The migrations of Bosnian Croats and their life in the Diaspora as well as their return to their native land have brought about some positive shifts. On the one side, a specific human and social capital was created amongst Bosnians (not only Croat but also Serb and Bosniak) in the Diaspora. This includes high-quality social networks that have reduced the cost of migration, created social stability within the migrant group and preserved the ethnic/national identity through integration as opposed to isolation in the host society. On the other side, migrations were in the function of development of the region/local community: in addition to the inflow of foreign currency from abroad, private entrepreneurship started, the living standard improved and over time views on life changed.

After the economic migration, the war in BiH was the cause of a new migration. This was a forced migration of a large part of the Croat population primarily from the area of the Bosnian Posavina, as the majority of its territory had become part of the territory of Republika Srpska. In accordance with the national denomination, the Croats found asylum in Croatia. A large number remained in Croatia permanently, but a portion left for Germany and Austria where they were welcomed into the

already existing nuclei of the diaspora community through first time or earlier resettled relatives and friends.

The population (in Croatia) expelled from the Municipality of Derventa was initially accommodated with relatives or friends. Two of our interviewees left Croatia to work in Germany while their children remained in education in Croatia. They said that they left in order to enable the existence of their own expelled families and because they did not want to be a burden on the state of Croatia, not even under the status of refugees. Therefore, the model of divided families repeated itself, where the spouses are abroad and the children with relatives in Croatia.

Those who were in temporary work abroad remained there for good due to the war circumstances. In this case, the process of joining families occurs: those who joined them directly before or during the war. Due to numerous circumstances and their length of stay, together with their family and children abroad they had already accomplished an enviable degree of cultural and economic assimilation and therefore, from the discourse of theories of circular migrations (Zelinski, 1971), there was a reduced possibility of their return. Such a model of integration is also applicable to Croatia (22 years have passed since the expulsion).

As can be seen, there was a permanent process of migration and remigration of the Bosnian Croats between at least two or three states and in this way extensive links were created and directed towards their country of origin. Therefore, one can view Bosnian Croats through a transnational paradigm. To put it more succinctly, transnationalism understands “a process of multiple links and interactions between people and institutions across the borders of nation states” (Vertovec 1999).

Transmigrants live in parallel simultaneously in two or more spaces. They overcome the borders between the origin and host societies and create in this their own social and diaspora spaces. In this case, political, territorial or cultural borders are transgressed as migrants and non-migrants become part of a single transnational social space” (Capo 2010: 22). Even the Bosnian Croats forcibly repatriated to BiH or Croatia again went temporarily to the host countries (e.g. Germany) to work, even without work permits (Capo 2010).

We can conclude through the above that Croats from the Bosnian Posavina are not a homogeneous migrant group and therefore we cannot define them in the singular. Rather, they are a heterogeneous group that varies according to time, the cause of the resettlement, place of resettlement, degree of integration and cultural and economic assimilation in the host country etc. This constitutes a specific quality

of their migrant awareness. We can say that what makes them singular and equal is their yearning for their homeland, which includes return, whether real, virtual or reconstructed<sup>9</sup>.

It is exactly in this irrational and emotional component where the ground of their ethnic identity has been set. In their communities the idea of a “lost homeland/home” further strengthens their awareness of origin and the collective moral obligation of each individual/migrant not to forget and to return whenever they are able either temporarily, permanently or through various transnational forms and practices.

All our interviewees from the older generation expressed the desire for permanent return once they retired. Some of their friends lived half the year in Croatia and the other six months in Bosnia. The younger interviewees, due to life circumstances, already had a high degree of integration into the host society. They mainly practiced and will continue to practice the model of temporary stay during holidays, annual leave and weekends. They stressed the importance of being able “to feel the smell of the Bosnian air and be there where they feel truly happy, because they were born there”.

The links to their homeland (relatives, house, land) as well as the practices of their ethnicity in their homeland (ethnic associations, events, gatherings) make it real, keep it alive and loved even though they are outside of its physical borders, in Croatia, Europe or another part of the world.

### **Institutional Aspect of Ethnicity: The Example of UBH *Prsten***

The preservation of ethnic identity assumes broad ethnic solidarity, which involves interaction and rituals that create “collective rapture and strong positive emotions that are linked with collective symbols” (Collins 2004, in Bozic 2012: 87). This awareness of ethnic and national identity as well as ethnic solidarity between the members of the community constitutes the basis for the creation of ethnic associations/societies/organisations. In order to practice their ethnicity, Bosnian Croats not in their national state but also not in the state of origin founded the Association of Bosnian Croats (UBH) *Prsten*.

The founders of UBH were mainly Croats from the Bosnian Posavina and the Municipality of Derventa. These were socioeconomically well established<sup>10</sup> individuals in Croatia who could dedicate their time and reputations to a broader involvement in the name of their ethnic community. UBH *Prsten* through its structure, membership and influence constitutes an ethnic “non-profit organisation with a formal structure expressed in the Board of Directors, and its mission is

to provide services or collective goods to the ethnic group (Fennem 2004: 440). Through its creation, the Association is an offensive organisation that “arises from the choice of migrants to part from others, and its goal is to differentiate the members of the organisation from the host society” (Schrover and Vermeulen 2005: 824-25).

One of the important aspects emphasised as a success story by the Association is the building of a positive image of Bosnian Croats<sup>11</sup>. The social status of migrants within the host society is very important and it is exactly this that determines their identity. Our interviewees spoke out about this problem saying that they were looked upon as “second-class Croats” and that even today in Croatia some are prone to label them as “Bosnian refugees” or “uncultured Bosnians”. They believed that there are negative stereotypes connected to the notion of being Bosnian and that their origins have largely determined their life in Croatia, because they were constantly in the process of finding their way and proving themselves to the domicile population.

Within the UBH *Prsten* various activities amongst the ethnic community of Bosnian Croats have created a specific kind of ethnic social capital, so we can define it as their gathering place, place of affiliation and place for community building. The concept of examining social capital is very popular in research on migrant organisations. Jacobs and Tittle (2004) differ ethnic, cross-ethnic and bringing social capitals. The ethnic capital serves for community building and the cross-ethnic capital is used to attain economic and political goals (Bretell 2005: 855). Another increasingly popular concept is research into migrant organisations conducted in a transnational perspective as the main players in transnational policy (Itzisoehn 2000) or as agents of development from the bottom up (Caglar 2006, in Kuti 2012: 41).

The Association *Prsten* is a formal/institutional form of ethnic association, which through its name refers to a specific ethnic category (Bosnian Croats). The very name *Prsten* (*Ring*) has a meaning that denotes “loyalty, faith and commitment to the native lands of origin”. The horizontal and vertical networking of *Prsten* is at an enviable level<sup>12</sup>. They believe that they are different to other ethnic associations because primarily they have a clear mission and goals. They focus their activities on Croats from BiH, regardless of whether they are in Croatia, BiH or somewhere else. In spite of cooperating with numerous associations of Croats from BiH, *Prsten* believe that such associations lack coordination, joint initiatives, information sharing and transparency and are prone to act and think locally. Therefore, one of the major tasks of *Prsten* is to educate, gather and activate these associations so that they can contribute to the general wellbeing of the Croats from BiH.



UBH *Prsten* is a large and powerful association that has achieved a prominent cultural and economic rating as a migrant organisation. The Association is an active partner within the host and origin societies as well as beyond where it finds partners amongst the Diaspora<sup>13</sup>. Its transnational character is therefore highly visible, more specifically in the form of economic, social and cultural transnationalism. *Prsten* is at the same time an ethnic and transnational community, given that it focuses on the status and presentation of Bosnian Croats in Croatia as well as on the position, reputation and survival of Croats in BiH and the Diaspora.

The most important goal of the Association is to provide assistance for Croats in BiH. Together with Croat political representatives and other public personalities as well as the Catholic Church it works on issues related to changing the Constitution of BiH. In this sense, it is working to ensure that Croats become equal with the two other constituent peoples in BiH. It advocates for changes to the election laws in order for Croats to elect their representatives to the bodies of authority.

In addition to protecting the position of Croats in BiH, they have and will encourage the return of more Croats to BiH. *Prsten* currently cooperates with the returnee association Phoenix (association of young returnees). They have initiated and organised numerous roundtables, scientific events, meetings on the topic of returnee issues, cooperation on addressing security and other problems, and collecting assistance for the reconstruction of houses and business facilities, and the development of family businesses.

Although the management stressed that *Prsten* is not a political organisation and that they are not affiliated with any political party or option it is important to point out that it does influence “from the shadows”. It has influenced a number of political decisions in a direct manner through its image, efforts invested into specific ethnic problems, contact with authorities within the host and origin societies, and such like. The business club, the club of scientists, the club of youth and the club of women indicate a sophisticated and modern societal structure that exceeds any form of traditional migrant community. It ensures a driving pulse for future development, both through the gender perspective, economic prestige and most importantly also through transgenerational ethnic solidarity (involving 30% of the second and 10% of the third generations of migrants).

Nevertheless, in spite of its numerous members, counting 2,500, and a number of branches we can say that this is an association that mainly constitutes the economic and intellectual elite of Bosnian Croats; therefore, a common person “from amongst the people” is left mainly outside focused on informal associations/socialisation<sup>14</sup>. The fact that none of our interviewees was a member of the association *Prsten*



corroborates this perception. The interviewees did not trust such a type of ethnic association. They believed that *Prsten* is in very good and close relations with the representatives of today's political power in Croatia and that their goal is to integrate as far as possible into the Croatian state government structures as well as into Croatia in General.

*Prsten* has faced exactly such problems since its foundation and, as we can see, it continues to face them today. *Prsten* emphasised to us that it was "the hardest thing to convince the Croats originating from BiH that we are a serious association and different from others". The Association stated that they immediately established the organisation and defined its areas of activity then had to convince the public and the institutions that they were an association that "knows what it wants and which does not expect or seek money".

Our interviewees expressed this attitude of mistrust towards almost all associations of Bosnian Croats from Croatia and BiH. This was principally directed towards returnee associations, which, according to them, only exist "on paper" with few or invisible results.

They did express trust in the people from the Diaspora who, according to them, do cooperate and are present in a number of specific measures<sup>15</sup>. They maintained contact with Bosnian Croats in the Diaspora through the Internet, e-mail and Skype but also through frequent visits on both sides. The latter including pilgrimages, holidays and annual leaves in the native lands. In this manner, the Diaspora "is constituted in a transnation as a community or province of the homeland, so that it becomes part of the nation that has grown over its own territory" (Laguerre 1999: 640, in Bozic 2012:9).

One female interviewee stated that when she moved from Zagreb to Australia she "found her Bosnia again". This was because there they keep together and provided the major source of reliance for one another, either in the form of informal socialisation or at an institutional level through ethnic associations and Croat Catholic missions. As can be seen, "identity is not only built in the physical space, but also in the relational space made up by fantasies, yearnings, memories... in this case the physical borders of national territories are not sufficient" (Harvey 2005).

## Conclusion

By considering the multiplicities and specific qualities of the migration experience of the Bosnian Croats in the period since WWII up until today, we have perceived

that it is not possible to view the return as a uniform category or as a natural ending of the migration cycle. Migration of Croats from Bosnia, either for political, economic or ethnic reasons, has been incessant and continuous. Although it necessarily included return, in the majority of cases it turned into departure or only partial return, depending on the specific qualities of the socio-historical period and the very decision of the migrant under his or her life circumstances.

We must therefore accept the fact that once started migrations have an impulse for further maintenance and expansion. According to the theory of cumulative causality (Myrdal, 1957, Massey and associates 1993), “any act of migration changes the social context within which the future migration decisions are made in the way which makes new movement more probable” (Massey and associates 1993: 451-454, in Mesic 2012:354).

In spite of the heterogeneity of this community and the fact that the subject of research was Derventa Croats residing in Zagreb, all of the stories included the broader context of Bosnian Croats in the Diaspora. This is one of the indicators of the integration of this community, but also of the accumulation of the community’s social capital despite the different emigrant generations or reasons for emigration as well as the space of emigration. It is for these reasons that it is most acceptable to view the Derventa Croats through a transnational paradigm, whether we speak about their identity, daily practices or about return.

Although in Croatia, their proper national state, having mainly dual citizenship, their homeland, as they themselves define it, is the “Bosnian Posavina” or “Bosnia”. Therefore, we can categorise them as an ethnic community, but also as a diaspora community with temporary and permanent but also not necessarily definite residence/stay in Croatia. Although the most recent ethnic and forced migrations have brought about their complete resettlement and inability to return (due to various socioeconomic and political factors), not even today is it possible to speak about a mass but only about a partial return. The latter relates mainly to the elderly residents who return to their native land when they retire. Thus, the process of return is still underway and has yet to end. Therefore, the research of specific physical returns is one of the relevant links but not the only one because one cannot neglect other phases in the return process (characteristic for the Derventa Croats) such as hoping for return, preparations for return or periodic visits to the native lands (Oxfeld and Long 2004).

The institutional aspect of ethnicity that we have included in our research has shown us the importance of migrant organisations (although none of our interviewees was a member of the researched association *Prsten*). This not only applies to the

maintenance and status of individual migrant communities but also their influence in the host as well as the origin society. The latter allows the possibility to create or merge several specific human and social spaces into one integral space. For these reasons, the transnational paradigm seemed the most appropriate tool for researching migrant organisations. This is because its transparency removed the limitations, strictness and divisions imposed by states, borders, affiliations and identities.

Therefore, we were able to view the UBH *Prsten* in Croatia as an ethnic diaspora-based transnational but also as a modern organisation of high social rating that integrates the cultural, economic and social aspects of ethnicity within at least four social spaces: Croatia, BiH, Slovenia and Austria. *Prsten* represents an important platform for the recruitment of young people, through scholarships for students and the youth club, and a very important aspect of survival, not only for the organisation but also for the community. It gathers and expands its membership, principally from the economic and intellectual elite of different generations, professions and genders, and has proven to be an important player in international politics and economy.

Finally, we can conclude that the emotional component is the most important for the preservation of the ethnic identity and for the creation of social and economic capital. This can take place either through informal socialisation or through associations or formal institutional ethnic organisations. It enables and creates ethnic affiliation, solidarity and mobilisation. Therefore, the answer to the question contained in the title of this paper (Is it enough to love your homeland?) is a positive one. This is because it is exactly through the irrational dimension of ethnicity that it is possible to accomplish even that which seemed to be unrealistic or impossible. In the case of the Derventa Croats, the affiliation with homeland/native land is very important and we may dare to say the most important determinant in the definition (within the totality of various societies) of identity.

## References

- Božić, S. (2012) Društveni oblici dijaspore. In: Božić, S (eds.) *Institucionalizacija hrvatske dijaspore*. Zagreb: Naklada Jesenski Turk&Hrvatsko sociološko društvo, pp. 9-23.
- Božić, S. & Kuti, S. (2012) Hrvatske migrantske organizacije u Europi. In: Božić, S (eds.) *Institucionalizacija hrvatske dijaspore*. Zagreb: Naklada Jesenski Turk&Hrvatsko sociološko društvo, pp. 79-95.
- Brettell, C. B (2005) Voluntary Organization, Social Capital and the Social Incorporation of Asian Indian Immigrants in the Dallas. Fort Worth Metroplex. *Antopological Quarterly* 76 (4), pp. 853-883.
- Čapo Žmegač, J. (2010) Različiti primjeri povratnim migracijama: primjer Hrvatske. *Studia etnologica Croatica*, 22, pp. 11-38.
- Fennema, M. (2004) The Concept and Measurement of Ethnic Community. *Journal of Ethnic and Migration Studies*, 30 (3), pp. 429-447.

- Harvey, D. (2005) *Spaces of Neoliberalization: Towards a Theory of Uneven Geographical Development*. Weisbaden: Franz Steiner Verlag.
- Itzigsohn, J (2000) Immigration and the Boundaries and Citizenship: The Institutions of Immigrants Political Transnationalism". *International Review* 34 (4), pp. 1126-1154.
- Jacobs, D and Title, J (2004) Associational Membership and Political Involvement Among Ethnic Minority Groups in Brussels. *Jurnal of Ethnic and Migration Studies* 31 (5), pp. 419-427.
- Kuti, S (2012) Istraživanje migrantskih organizacija: definicije, koncepti, perspektive i pristranosti. In: Božić, S (eds.). *Institucionalizacija hrvatske dijasfore*. Zagreb: Naklada Jesenski Turk&Hrvatsko sociološko društvo, pp. 25-51.
- Lindstrom D. P. (1996) Economic Opportunity in Mexico and Return Migration from the United States. *Demography*, 33 (3), pp. 357-374.
- Mesić, M. i suradnici (1991) *Vanjske migracije i društveni razvitak*. Zagreb: Institut za migracije i narodnosti.
- Mesić, M. (2012) *Međunarodne migracije — tokovi i teorije*. Zagreb: Societas, FF Press.
- Mežnarić, S. (1991) *Osvajanje prostora, prekrivanje vremena, migracije umjesto razvoja*. Zagreb: Sociološko društvo Hrvatske.
- Owfeld, E i Long D. L. (2004) Introduction: An Ethnography of Return. In: Longand Owfeld, E. *Coming Home? Refugees, Migrants, and Those Who Stayed Behind*. Philadelphia: University of Pennsylvania Press, pp.1–15.
- Schrover, M i Vermeulen, F.(2005) Immigrant Organization. *Jurnal of Ethnic and Migration Studies*, 31 (5), pp. 823-832.
- Union of BosanskaPosavina-Displaced Persons, Refugees and Returnees Associations (1998) *Plan on Reconstruction and Return to Bosanska Posavina*.
- Vertovac, S. (1999) Conceiving and Researching Transnationalism. *Ethnic and Racial Studies*, 22 (2), pp.447-462.
- Zelinski, W. (1971) The Hypothesis of the Mobility Transition, *Geographical Review*, 61 (1), pp. 219-249.

<sup>1</sup> We first reached out to one interviewee (through a recommendation) who then recommended another one to us and so on and in this way gained the trust of the community.

<sup>2</sup>The oldest interviewee was born in 1945 and the youngest in 1979. All were born on the territory of the Municipality of Derventa, except for two interviewees who were born in Germany but who had lived in villages in the Municipality of Derventa up until the past war. The other seven interviewees were born in 1950, 1954, 1956, 1968, 1970, 1973 and 1978. One female interviewee from Zagreb moved to Australia, where she established a family. Her parents, sister and brother are in Zagreb.

<sup>3</sup>These are people with secondary school and associate school diplomas: tradesmen, foremen, car electricians, technicians, salesmen and retired soldiers. All of them were employed and four had private entrepreneurs. All owned a house or an apartment.

<sup>4</sup>Five women and four men.

<sup>5</sup>The focus group discussions were held in the family home with typical Bosnian customs: we were offered meza, pies, coffee and plum brandy. The atmosphere was friendly and warm just as if we had come to have an informal chat. Both the elderly and the young were excited and happy to be talking about their native land and that someone was asking them about it. Three families attended including two families with two children each and one family with five children. One family lived in BiH (Daznica), Croatia and Germany, the second one lived in BiH (Modrica), Croatia (Slavonski brod, Samobor and Zagreb), while the third lived in BiH (City of Derventa) and in Croatia (Velika Gorica and Zagreb).

<sup>6</sup>The creation, structure and activities of the Association, the relations with Croatian and BiH institutions, associations of other ethnic communities in Croatia, BiH or a third country, future guidelines for the association, and the like.

<sup>7</sup>Of the total number of from the Municipality of Derventa (31,857 refugees) 7,558 were Bosniaks, 21,952 Croats, 3,752 Yugoslavs and 761 others. Asylum was sought in Croatia by 15,926, in Germany by 7,965, in Austria by 4,778 and elsewhere by 3,186 refugees (Union Bosnian Posavina, 1998).

<sup>8</sup>Independent State of Croatia (NDH) was a puppet state of the Axis during World War II from 1941- 1945. It included the area of today's Bosnia and Herzegovina, the majority of today's Croatian and a small part of today's Serbia. (Independent State of Croatia, Britannica Online Encyclopedia).

<sup>9</sup>Under reconstructed return, we refer to the descendants of the Bosnian Croat emigrants who had never even lived in BiH and who were yearning to return. The emigrants connected virtually. The descendants of the emigrants who were in BiH were connected virtually every day, although they were resettled across the world (daily communication, economic investment, social services, etc).

<sup>10</sup>Successful businesspersons, doctors, psychologists, officers of the Croatian Army in Croatia, and such like.

<sup>11</sup>By presenting successful entrepreneurs, scientists, sportsmen and such like from BiH (mainly from Bosnia).

<sup>12</sup>In Croatia, they cooperate with the Government of the Republic of Croatia and local and regional government representatives as well with the representatives of the Croatian Church authorities and Croatian political representatives in BiH. They cooperate with over 100 associations (cultural and artistic, economic, refugee and return) of the Bosnian Croats in Croatia, BiH, Austria and Slovenia as well as with some Bosniak associations. At that time, they cooperated with the Croatian World Congress (which has branches in all countries of the world where Croats live) and the state office for Croats outside the Republic of Croatia. Nevertheless, it is noticeable from the list of associations with which they cooperate that a small number of associations carry the universal name of BiH as the state of origin, as an example: 'Bosnian-Herzegovinian Cultural Centre Istria' or 'Youth of BiH'. The names of the associations normally emphasise the ethnic origin and the local or regional community they come from (Croats from Derventa, Bosnian and Herzegovinian Croats, Croats of the Bosnian Posavina, Croats from the Banjaluka Region, etc). The names of the associations also clearly show their migrant status: immigrants, settlers, migrants, expelled persons, refugees, returnees. A small number of associations covered all migrants from BiH in Croatia. There was a large and noticeable differentiation according to local and regional grounds, principally between the Croats from Bosnia and the Croats from Herzegovina.

<sup>13</sup>The members of the association are successful entrepreneurs (construction, IT, agriculture, etc.), who have established companies in Croatia, BiH, Slovenia, Germany, Switzerland or Austria but who also cooperate and work with similar associations of countrymen in the Diaspora. They are sponsors of various events of Bosnian Croats, but also of numerous cultural events in Croatia and BiH. They have a fund for scholarships for gifted students from BiH as well as for those with lower-incomes. They are financial donors for various humanitarian actions in BiH and in Croatia.

<sup>14</sup>From the interview we learned that there are certain cafes and restaurants where they gather, but they also cherish home visits on weekends as well as group trips and visits to their native land (principally for religious holidays) where they traditionally prepare meals and have parties. They stay collectively in several reconstructed houses.

<sup>15</sup>Money has been collected for the restoration of sacred Croatian buildings, assistance to the disadvantaged and poor persons, and for the reconstruction of their own houses and infrastructure.

**Milica Veskovic Andjelkovic**

**Faculty of Philosophy**

**University of Belgrade**

## **THE ROLE OF HIGHLY QUALIFIED RETURNEES IN THE PROSPERITY OF SERBIA: OPPORTUNITIES AND OBSTACLES**

### ***Summary***

*The subject of the research the results of which we present here is the role of returnees in the partnership of mother country with the Diaspora aimed at prosperity and the preparedness and ability to invest its proper human and social resources in domestic development projects. Emphasis is placed on an examination of their current role and readiness to take part in connecting the Diaspora with their mother country as well as the relationship of the state towards them. The research was conducted using the qualitative method, through deeply structured interviews. The interviewees were exclusively returnees from Serbia: individuals who had acquired some level of education or had some working experience outside its borders (not counting those states where Serbs are an autochthonic population), who spent more than one year abroad and whose period of residence in Serbia was longer than one year. The interviews showed their high level of preparedness and motivation to take part in the development of their mother country and their willingness to include colleagues from the Diaspora in projects; however, the interviews also highlighted the high degree of unpreparedness of the state to accept and use their capacities.*

**Key Words:** *Diaspora, country of origin, returnees, qualitative research, interviews, intellectual Diaspora, prosperity of the mother country, intellectual capacity, social capital.*

### **Introduction**

The emigration of Serb experts began as early as the late 19<sup>th</sup> century and has increased sharply over the past two decades. Prompted by the bad economic situation, collapse of the values system and the wars that accompanied the breakup of SFR Yugoslavia, many experts left their country of origin in search of better living conditions and for professional advancement outside of its borders. The brain drain continued even after the relative economic and political stabilisation

after 2000. Nevertheless, the characteristics of their spatial mobility changed significantly during this period. Namely, unlike migrants who left their country in the nineties of the past century, without an intention to return (*“one way ticket”*), the experts who have emigrated relatively recently, over the past fifteen years, showed a tendency towards temporary or permanent return. Thus, we should rather classify their spatial movement under the notion of mobility (Massey 2003) rather than under migration. Similar tendencies for the movement of experts are shown by other, developed, countries and so some authors conclude that, *“mobility is characteristic for sciences and experts who use it to develop their knowledge and abilities and thus advance in their careers. In this context, the return does not even constitute an end of the migratory cycle, but rather one phase in the migration process”* (Cassarino 2004:255).

Unlike those countries that follow the trend and characteristics of contemporary migratory processes and develop policies to support partnership with expert diaspora and returnees (temporary or permanent), Serbia still has no appropriate institutional mechanisms and policies that would promote investment in the human and social resources of this population for development. Although it has demonstrated an awareness of the significance of its migratory population, testified to by numerous documents and strategies (I), our society does not constitute a favourable soil for investing in the resources acquired by highly educated migrants. This is due to the lack of a clear initiative and support for the employment of expert diaspora and returnees in development projects. It is also due to administrative difficulties related to distance project implementation as well as the reintegration of returnees.

There is a clear discrepancy between the awareness and the realistic situation in our society and the good will of returnees to invest their own resources, primarily in the form of their acquired social and human capital, into development (Pavlov 2011) and their (non-)involvement in development projects in Serbia. This discrepancy constituted the motivation to conduct this research, the results of which we intend to present in this paper. The qualitative research implemented in mid-2014 was in response to the needs of the broader scientific study *Policy Creation for Integration and Use of Capacities of Highly Educated Returnees Abroad: the Case of Serbia*.

The attitudes of the interviewees were selected based on the *snowball* method and gathered through structured interviews. The criterion for the selection of interviewees (a total of 50, N=50) was that the person had to have spent more than one year abroad and that after return he or she had stayed in Serbia for more than one year. It was also required that he or she had acquired some level of education abroad or that after completing schooling in Serbia he or she had been employed



as an expert in their field.

In the first part of the paper, we shall present the characteristics of the research, while the second part is reserved for the presentation and analysis of the collected data. In conclusion, in addition to the summary review, we shall also present some recommendations aimed at the creation of the conditions for the inclusion of returnees and potential partnership with the scientific diaspora.

### **Characteristics of the Research: Hypothetic and Notional Framework, the Sample and the Basic Goals and Expectations**

When making the plan for the research we started with the point of view adopted by the majority of economists and the political elite that knowledge and innovation are the basis for development and constitutes “*a dynamic process understanding the economic growth and overall social progress, emancipation of individuals and societal groups*” (Bobic, 213:121). Given that scientists, engineers and other talents are the holders of this development it is evident that there is an increasing demand for investing in their human capital. This has led the developed countries to pass policies that attract such individuals. However, as this “fight for talent”, on the one side, constitutes profit for the destination countries, the brain gain as it is deemed, on the other side, underdeveloped and developing countries suffer major losses due to the emigration of experts that constitute the engine for their potential development.

Since the end of the past century, under the influence of the broadly accepted concept of circular migrations and transnational networks (Vertovec 2002), an optimistic attitude towards this phenomenon has prevailed wherein the mobility of experts and their multiple networks can help the prosperity of the mother country. The notion traditionally used in scientific literature to denote the emigration of experts, the *brain drain*, now receives its alternative through the creation of various programmes that help experts to support their country of origin. When viewed from the perspective of development of the mother country the mobility of experts is increasingly designated using terms such as *brain re-drain* (Predojevic 1999), *brain return* (Bobic 2013:127), *brain circulation* (Pavlov et al. 2011.a :63), *brain chain* (Filipovic 2012:31), *diaspora network* (Nedelcu 2011:242). Such terms suggest the benefit that the mother country gains from the migration of this population, achieved in various ways.

Starting from the prevailing trend in this area of research, but also from the examples of the mobilisation of the expert diaspora and returnees through successful development projects recorded in other countries (e.g. India and Pakistan



and even the neighbouring countries of Albania and Romania), we assumed the initial hypothesis of our research. The hypothesis is that the prevailing discourse in the domestic public that views the emigration of highly qualified individuals as a major loss (economic and demographic) can be partially dismissed through the good will and willingness on the part of the emigrants. When highly skilled emigrants, either after return (*return option*) or from distance, via various projects and programmes (*diaspora option*), are willing to invest their acquired resources in the development of our society.

In the context of the flow and characteristics of the modern migration of experts, which is necessary for the acquisition of knowledge (Filipovic 2012) and stands as the basis for the modern economy (*knowledge based economy*), the spatial mobility of such highly educated populations may constitute the “engine” for the modernisation of the country of origin. This is because only such elites with the acquired human and social capital can be the leaders of social change. The creation of appropriate conditions and the development of adequate policies are also required to support this process.

Narrowing down the field of research, we focused on the potential role of returnees in the prosperity of our society. Thus the main initial hypothesis was that *highly qualified individuals who are currently in Serbia and who are well informed and familiar with the social context as well as the realistic needs of our state show significant preparedness and good will to invest the resources they acquired abroad into the development of Serbian society. (Primarily, this relates to their acquired knowledge and competences, but also through social capital. The latter would entail networking with members of the expert diaspora and participation in professional networks). Yet on the other side, in the competent institutions, political elites and the whole of society obstacles to their involvement in the future economic, political, scientific and general prosperity are identifiable.*

The basic idea is to *indicate the necessary changes within the state institutions and public policies that would need to be implemented in order to allow and make it easier for the returnees to invest their own knowledge and professional contacts in the development of Serbia. This population needs to be mobilised as a key factor for efficient and effective partnership with the expert Diaspora.*

When collecting data aimed at testing the aforementioned hypothesis, we focused on the resources acquired by the highly qualified returnees through mobility. We looked at the resources they were willing to apply for the development of Serbia and their assessment of the current situation in the country in terms of institutional frameworks for the application of such resources. We also took into account their

relationships with migrants who remained in the country of destination and who were involvement in joint projects.

In terms of the acquired capital that the returnees could apply in their mother country, special attention was given to the analysis of human or cultural resources (these included education, training, skills and knowledge acquired in conditions different to domestic ones as well as cooperation with successful individuals in the field in which they were involved). Similar attention was paid to the social resources (networks amongst members of the Diaspora, connecting the destination and mother countries, professional, family ties, etc.), and then emotional ones (nostalgia, goodwill for cooperation and investment) and lastly the local ones (knowledge of the local context and the special connection to the place of origin) (Pavlov et al. 2012).

Until recently, it was deemed that the Diaspora and returnees could help improve the prosperity of the mother state only by investing financial and entrepreneurial resources (remittances, foreign direct investment, trade, savings, business investment, humanitarian aid). However, as this case involves highly educated returnees (where there is a high percentage of individuals who returned immediately after completing their education), we have assumed that their material contribution is below the contribution of the Diaspora and returnees that moved as part of the labour migration (Grečić 2010). They rarely direct their limited material resources towards investment in the economy. They direct the money they have acquired abroad mainly at household consumption, which can only have an indirect impact on development (de Haas 2008). This is why we do not believe that they could have a prominent role in the country's development.

In addition to the experience with institutional frameworks pertaining to the conditions, support and initiatives for involvement of returnees and diaspora in development projects on the part of the state, the assessment of the current situation in the country also analysed the potential attraction factors in Serbia. The latter could be crucial in decision making by potential returnees and *“constitute one of the relevant conditions for outcome from the connection between migration and development”* (Bobic 2013:121). Given the goal of the analysis, emphasis was nevertheless placed on the employment of returnees and their inclusion in development programmes that require their acquired capital and direct contact with members of our scientific Diaspora around the world.

Although there is awareness about the fact that without specific development programmes for return in the country of origin it will become almost impossible to attract the number of top experts necessary for the revival of overall development

in the country. The fact that there are no such projects in our country and the lack of space for cooperation makes return of those who wish to do so more difficult. We assumed that such a situation would contribute to the poor assessment of the situation in the country by returnees, because even if they had not experienced problems related to finding employment there was the lack of recognition and any clearly expressed need by the state to support partnership with expert diaspora.

The first and biggest problem we faced when implementing the research was the lack of a unique database with contacts, characteristics and a precise number for highly qualified returnees. Although it was proven that our interviewees belonged to a unique societal group, we can say that our sample is after all not representative in the absolute sense. This relates to a societal group, *“which includes various life experiences and identities – the local community of their country of origin, the migratory experience, the experience of adaptation in the country of destination, the meeting with new social values, the labor and professional experience, as well as the experience of reintegration in the country of origin”* (Pavlov 2011:12).

This is suggested through the analysis of the basic demographic data: a somewhat larger number of persons of female gender took part (60%) than those of male gender (40%); the largest number involved young people up to the age of 35 (40%), while the majority had completed masters study abroad (60%) and were not married (45%). Their attitudes nevertheless mainly corroborated our initial expectations, but they also provided guidelines for the creation of future policies and conditions for their more adequate involvement in the overall progress of Serbian society.

## **Returnees and Development of Serbian Society: Initiatives and Obstacles**

According to the neo-classical theory of migration, return should constitute the expected end of the migration cycle. This comes once migrants have acquired material savings, improved their knowledge and skills (human capital) and acceded a sufficient number of professional networks (social capital), all of which they can invest in the mother country after they return home. The reasons for return can vary, such as a lack of success in the country of destination (inability to find employment or such like) or failure to fit into a different cultural milieu or after retirement, yet there is also interest in the development of the country of origin (Cerase 1974). The return of experts motivated by the desire to invest in the prosperity of the mother country is known in the literature under the term of *return of innovators* (Grecic 2010:199). At the time it was created, back in 1974, it was equal to the meaning of the term *brain gain*. Those experts stimulated

for return through this motive are considered the most important for starting up development.

Given that the population we have examined did not exceed the age of fifty-five, retirement was not the expected motivation for return for a single interviewee. In addition to the fact that not a single person stated this motive, none of the responses referred to failure in terms of finding a job or professional advancement as a push factor in the destination country. The responses of the interviewees focused mainly on not fitting into the society (30%) and a strong desire to join their family (predominantly primary) as well as socialisation with old friends (50%). Nostalgia and the sense of belonging to the place of origin were noticeable in almost all interviewee responses (94%), even from those who immediately after departure did not plan to return. In our sample there was a non-negligible number of those who returned (some even departed) with the idea to apply the knowledge acquired outside its borders into the development of Serbian society and sciences (16%).

In addition to the knowledge and competences as a benefit of their previous spatial mobility (as a resource acquired in the first place as stated by as many as 64% of interviewees), the interviewees cited contact with important individuals in the area in which they are involved (stated by 26% of interviewees). Given the average age of the interviewees and the years of working experience abroad (only 24% worked for more than three years), we did not expect that material resources would be frequently cited as a benefit of migration. However, there is the interesting fact that none of the interviewees stated contact with members of the Serbian scientific Diaspora as acquired social capital. This was despite the fact that everyone responded positively to the question on the existence of acquaintances and maintaining contact with this group (all interviewees stated their participation in our emigrant communities, in which they are still active). Furthermore, virtually all interviewees (49 of 50) expressed goodwill concerning the investment of their acquired resources and for taking part in development projects. This was also the case concerning their possible mediation in the partnership between Serbia and its expert Diaspora.

When examining the level of actual investment by returnees into Serbia, we discussed their labour status and the manner of contribution to the prosperity of society here through formal employment. In our sample, the majority of interviewees were employed (78%), wherein the largest number worked in the private sector (32%) then at faculties and institutes (30%) and in the state administration (12%), while 14% of interviewees were employed in foreign multinational companies. Therefore, we cannot say that their work within regular employment contributes to the prosperity of Serbia. One female interviewee (USA

37) employed in a foreign owned company noted as follows:

**“It is not just that I am not in the position to direct my knowledge into the development of Serbia, but the company on whose improvement of operations I work constitutes competition for domestic companies and business.”**

Those employed at faculties also did not boast of having had the opportunity to apply the resources they acquired for the improvement of teaching and of scientific projects. We mainly found reasons based on the dominant lack of interest amongst domestic universities in terms of improving lectures and their closed attitude towards innovation, which would impose on employees the need for additional improvement. We explain this lack of initiative or even acceptance of the official cooperation between foreign scientists and our experts in this area in the world through fear of competition and the consequent risk of losing their existing credibility. This is best testified to by the statement below, given by a female returnee aged 31 from France.

**“Well, do I contribute to the development of Serbia with my knowledge? It is just like I have never departed at all. There is not much creativity in lecturing, I would be telling my students the same even if I had not crossed the border... Our department is completely enclosed. There is no initiative here or idea for some bilateral cooperation, so that there was no room for the use of contacts that I acquired while being in France!”**

It is not a rare occasion in Serbia when members of our scientific Diaspora hold guest lectures and take part in domestic scientific research projects. However, they are mainly included in this type of project because of additional credits that their participation brings in terms of applications or the potential to obtain money from foreign sources. The latter reason is best reflected in the words of one 43 year old returnee from the USA employed at the University of Belgrade:

**“I was asked (by my colleagues, professors from the faculty) to link them with one of our physicists from America. This recognised scientist of ours, otherwise a big patriot, accepted cooperation immediately. He wrote the project and found the funding. I warned him immediately that it would be good for him to take a second thought about how the money is spent. However, he trusted them. And in the end, of course, the project was not implemented, the money was spent for other things, my friend remained disappointed, and the financiers were furious.”**

All of the interviewees, as we said in the first place, stated that they would gladly enter projects that involved our experts in country and in the Diaspora. A total of 36% (18 interviewees) had the motivation to implement this type of development

project; however, only one-third was implemented: four short-term humanitarian aid type projects, one scientific project and one in the area of economy. None of the interviewees cited a project of this type created through a government initiative, which brought full agreement on the part of the interviewees in terms of the lack of interest on the part of the government concerning their participation in development.

This lack of interest is reflected mainly through a lack of adaptation on the part of the institutional framework for this type of involvement of both returnees and diaspora. This results in an inability to implement such projects that have already begun or the abandonment of any such planned projects. In institutional terms, the interviewees fully agreed that the main problem is the inefficient and complicated administration (this was not only shown in the case of partnership between Serbia and the Diaspora but also in relation to the majority of regular procedures for all citizens). The interviewees also cited the non-regulated legal framework as an obstacle to the implementation of these projects (as stated by 84%).

In addition to the institutional obstacles, the interviewees also referred to obstacles to the implementation or even consideration of development projects involving returnees, scientists from the country and the diaspora. The interviewees mostly cited a lack of recognition on the part of the government concerning the significance of Diaspora and returnee resources. In their responses, 88% cited a lack of initiative for cooperation, 46% cited corruption in the selection of projects to be financed by the government, 38% cited high taxation of money arriving from abroad for project implementation and 36% cited the lack of a single database on the Serbian scientific Diaspora and returnees.

A 38 year old returnee from Switzerland stated that:

**“If such a database existed, I would know what kind of human resources I could count on. It is true that via my acquaintances I can reach any man in our diaspora, but if I were in the position to contact them in person everything would be quicker and easier. This way, I find some of our people in the world, look in the databases that have not been updated for years and either there is no contact in place or if it is, for the most part it is not valid. And how do I get to venture into such type of projects at all?!”**

At the end of the interview, the interviewees had the opportunity to send certain advice to the responsible players in the country in order to improve the utilisation of resources related to scientific diaspora and returnees. In addition to all of them having pointed out the necessity of a government initiative for this partnership, the main reliance of which would exactly be the returnees, they mostly appealed for a shortening of procedures when implementing projects created upon their

own initiative or initiated by colleagues from the Diaspora (88%). Furthermore, 78% appealed for justice when deciding upon project financing and 64% for a reduction in corruption, while 56% called for the removal of party affiliation as a decisive factor in project selection. The creation of a database that would make the Diaspora and returnees more visible was cited by 54% and 54% asked for centres that would constitute a place for gathering of returnees to be opened so that they could share experiences and exchange information, contacts and ideas.

After an analysis of the received responses, we noticed that returnees constitute a unique group fully open to investing in the prosperity of the state but also unique in terms of observing realistic problems and obstacles to project implementation. This was visible in the level of agreement in their responses. The returnees also showed a large percentage of agreement in terms of recommendations to the Government concerning the establishment of more favorable grounds for their involvement. The development of Serbia cannot move forward without appropriate public policies, adjustment of the institutional framework and the goodwill to invest in the country expressed on the part of the returnees (under our research) and the scientific Diaspora (Filipovic 2012). Another prerequisite is the mutual will for their integration in order to enable their more compact action in favour of their country of origin.

## **Conclusion**

The results of the research we have conducted, as well as the existing documents and strategies, indicate a broad spectrum of opportunities for investment in society in Serbia, both on the part of returnees and migrant scientists who for various reasons have remained in their destination country. Yet obsolete and non-applicable documents and the chaotic administration represent major obstacles to the implementation of ideas created through migrant efforts. Frequent changes in the political elites in Serbia result in constant disruption to the majority of projects, which mostly remain incomplete. This includes the creation of the conditions necessary for application of the “imported” knowledge and contacts acquired outside the country’s borders in order to complete development. Each of the governing structures that at one time or another were in power showed an awareness of the significance of these available resources, but due to the major turbulences in the political arena in Serbia none have had sufficient time to complete the started projects.

Modelled after the countries with successful public policies towards their migrants as well as the recommendations we reached through the research, we perceive that there are ways in which the government can direct some goodwill towards



the efforts of its spatially mobile migrants. This is achievable without any special initiative or start-up programmes targeting the involvement of the available human and social resources. Firstly, it is necessary to reform the media and general public discourse by pulling down the current image of migrants as a loss to the country and their treason or a-nationality. A positive image of this population and an indication of the resources that they are ready to invest in Serbia should be supplemented by their visibility, which is easiest to accomplish through the creation of a regularly updated database available to any potentially interested player.

Furthermore, a systematic overhaul of the administration and legal system would remove the demotivating factor for implementation of potential programmes based on the ideas offered by the returnees and Diaspora. The exchange of ideas, experiences and contacts, both between the expert returnees themselves and with those who have remained in the Diaspora or have never left the country, represents a great and yet untapped potential benefit for the state. Opening centers that can provide an environment for networking can have multiple positive effects on progress in our society.

The knowledge and experience of returnees together with their social capital and knowledge of the local context and the mentality of the local people should not be restricted to specifically organised projects. This capital should be viewed as a “conductor” for the mobilisation of the Diaspora and the effective focusing of their goodwill and resources. Changes and minimum effort on the part of the responsible players would, as shown through our research, motivate returnees to invest their efforts and engage their acquaintances for the benefit of their country of origin. If this is not realised and if the conditions for implementation of constructive ideas from this population remain unchanged along with the attitude towards them then any discussion on their contribution will remain pointless.

### **Additional Explanations**

(I) Here one must single out the *Strategy of Scientific and Technological Development of the Republic of Serbia 2011-2015*, which envisages the involvement of expert diaspora and returnees in scientific research development projects. It also envisages improved working conditions. Then there is the *Strategy for Management of Migrations (2009)* and the corresponding *Action Plan for Implementation of the Strategy for Management of Migrations in the Period of 2011 and 2012*.

Both documents pertain to the inclusion of Serbia in the work of international organisations aimed at the return of a highly qualified workforce, distance-based



use of knowledge and skills, as well as the integration of returnees into the labour market. Although these documents do exist and thus acknowledge the existence of the awareness on the potential role of migrants within development processes they are either incomplete or have not yet come into force.

## References

- Bobić, M, (2013), *Postmoderne populacione studije*, Beograd, Institut za sociološka istraživanja Filozofskog fakulteta u Beogradu i Čigoja štampa
- Cassarino, J, (2004), "Theorising Return Migration: The Conceptual Approach to Return Migrants Revisited", *International Journal of Multicultural Societies*, Vol. 6, No. 2, pp. 253-279
- Cerase, F. P. (1974), "Expectations and reality: a case study of return migration from the United States to Southern Italy", *International Migration Review*, Vol. 8, No. 2, pp. 245 - 262
- Filipović, J, (2012), *Management of a Diaspora Virtual University as a Complex Organization, Serbian Diaspora Virtual University: An Emerging Leadership of a Nation*, Lambert Academic Publishing, Saarbrücken
- Grečić, V, (2010), *Srpska naučna dijaspora*, Beograd, Institut za međunarodnu politiku i privredu
- Massey, D. S, (2003), „Patterns and Processes of International Migration“. *Paper prepared for Conference on African Migration in Comparative Perspective*, Johannesburg, South Africa, 4-7,
- Nedelcu, M, (2011), „The Romanian Scientific E-diaspora. How an Internet-based Mobilization of Romanian Scholars Abroad Impact of Change at Home“ in ed. Polovina N. and T. Pavlov, *Mobility and Emigration of Professionals, Personal and Social Gains and Losses*, Group 484 and Institute for Educational Research, Belgrade, pp. 240-258
- Pavlov, T, (2011), "Return of Highly Qualified Migrants to Serbia: "Brain Gain" instead of facing "Brain Re-Drain", in *Return of Highly Qualified Migrants to the Western Balkan. Compendium of Policy Papers*, Beograd, Group 484, pp. 8-29
- Pavlov, T, R. Kozma and B. Velev, (2012), *Dijaspora kao resurs lokalnog razvoja*, Beograd, USAID, Srbija, Grupa 484
- Predojević, J, (1999), „Migracija visokoobrazovanih kadrova i naučnika“, u M. Rašević ur. *Razvitak stanovništva Srbije 1991 – 1997*, CDI IDN, Beograd
- Vertovec, S, (2002), „Transnational Networks and Skilled Labour Migration“, for the conference: *Landenburger Diskurs Migration*, Landenburg

**Caroline Hornstein Tomić, Ph.D (doc. dr. sc.)**

**Senior Research Associate**

**Institute of Social Sciences Ivo Pilar, Zagreb, Croatia**

## **SKILLED MOBILITY, DIASPORA OUTREACH, REMIGRATION – POLICIES AND EXPERIENCES IN CROATIA**

### ***Abstract***

*The paper takes a brief look into international scientific discourse concerning the nexus of skilled migration/mobility and diaspora engagement for homeland development. Like other countries with large diaspora and concerns about the impact of the increasing brain drain on local development, Croatia is targeting in particular highly skilled diaspora through outreach and return policies. Croatian programmes to initiate circulation dynamics for highly skilled professionals, such as scientists, present a local response to a problematic shared across the entire Central and South European region. In order to draw attention to the precarious relationship between policy intentions and actual experience and to address the sustainability aspect of brain gain policies that specifically target the return of highly skilled migrants and members of diaspora communities a shift to the actor's perspective is proposed. Based on narrative interviews with scientists who have worked abroad and eventually returned to Croatia the role of networks and social capital, chances for knowledge transfer and adaption strategies have been identified as key aspects to observe when assessing sustainable reintegration and brain gain policies and possible spaces for agencies of change.*

**Key words:** *skilled mobility, remigration, (re-)integration and knowledge transfer.*

### **Skilled Migration and Diaspora Engagement for Homeland Development**

The understanding that globalisation dynamics in economy, culture and society are reflected in accelerated migration and mobility is commonplace today. This statement is supported by the fact that although only 3.2% of the world's population is estimated to actually migrate there has been a 30% increase in migrant mobility over the past two decades. It is noteworthy that a growing

percentage of global migrants originate from the north and lesser so in the south. This indeed might indicate that migration and mobility are not just spurred by economic and ecological crises and underdevelopment but evenly so by economic and social development (see Atac et al. 2013:11-12). It is undeniable that deficits in modernisation and the strain of economic and political transition from socialist to democratic systems and market economies have contributed to increased migration over the past two decades. This has been exacerbated by violent conflicts during the course of state building processes in the context of post socialist transformation in Central and South Eastern European (CSEE). Therefore, within this particular historical, geographic and socio-cultural context mobility can be considered both as a symptom of shortcomings and backlashes in development and as a sign of modernisation and progress in development. Skilled mobility is without doubt a special challenge here but also all over Europe as shown by common concerns related to skilled labour shortages and expressed through debates on migration. Two approaches are distinguishable in the debate on migration and mobility with regard to the highly skilled: either negative or positive. The negative relates to the brain drain, frequently touching on the brain waste due to skilled workers acceptance of qualification inadequate employment abroad. This has an unfavourable medium term impact on homeland development. In the positive sense, it makes a long-term contribution to homeland development through economic and social remittances transferred from abroad and through the transfer of intercultural knowledge and skills, within the contexts of daily life and work, once a migrant has returned home<sup>1</sup>.

Whereas in politics and civil society a rather affirmative discourse about the (potential) contribution of diaspora to homeland development is recognised a more critical approach prevails amongst academia. In general, however, the views of migrants and transnational migrant networks differ across various social strata and occupation groups. Some see economic remittance as generally supportive of local development and social (as opposed to material) remittances as contributing to the advancement of a diverse and pluralistic democratic political culture through the transfers of such skills, experiences and knowledge. Such reasoning views mobility as something positive.

Yet others criticise economic remittances as being invested mostly in consumption as opposed to production. They believe that social non-material remittances support or transport conservative backlashes rather than pluralism and tolerance and therefore fuel nationalism and populism. This adds to the belief that migration contributes to the dissolution of family structures and local social orders. Such reasoning centres on a problematic perspective on migration and mobility.

Last but not least, when debating diaspora engagement for homeland development one should bear in mind that ideas and perspectives on homeland development can also differ profoundly between as well as within local and migrant communities (see Atac et al. 2013, 11-12). Croatia, where views about the large Croatian diaspora are for that matter split ambivalent and often ideologised, indeed presents fertile ground for studying policies and practices pertaining to diaspora engagement for homeland development. In this specific context and with a focus on skilled migrants, I want to contribute to the discussion on the development of the migration nexus by following individual migrant itineraries home and by tracing (re-)integration experiences<sup>2</sup>. Learning about the role of networks and social capital, opportunities for knowledge transfer and strategies of adaption can provide a useful basis for estimating spaces for agents of change and for assessing the sustainability of policies aimed at diaspora outreach and skilled mobility. The latter are principally focused on intercultural skills and knowledge transfer, yet in practice they face various challenges and obstacles (see Hornstein Tomić and Scholl-Schneider - pending).

### **Skilled Mobility Policies and Diaspora Outreach in the CSEE Region**

The focus on skilled migrants comprises a significant part of migration and (knowledge based) development policies all over Europe. Through its 'Blue Card' Directive the European Union has designed a policy for attracting highly skilled migrants in order to more successfully compete for skilled labour on a global level<sup>3</sup>. The Blue Card Directive is often criticised for its arbitrary entry criteria. The criticism levelled at the Directive includes its conflicting with similar national programmes (for example, those in Austria and Belgium) and the potentially destabilising effect it has on countries in relative proximity to the EU with high levels of emigration, especially of tertiary educated individuals. In terms of the latter the most hit are Armenia, Georgia and Moldova where 20 to 30% of the working age population is estimated to have emigrated since transition.

The dangers of severe brain drain and deepening development gaps is widely recognised and has spurred diaspora outreach and return programmes that address in particular emigration of the highly skilled in Central and South Eastern Europe. The brain drain and skilled mobility in Croatia have taken place and been the subject of discussion ever since the early transition period (see Hornstein Tomić and Pleše, 2014). At the same time, considerable return and remigration has been registered over the past two decades through returning labour migrants after retirement, the return of refugees and political migrants, and the remigration of descendents of former emigrants/foreign citizens with Croatian ancestry who took the transition and EU integration process as an incentive for homeland return<sup>4</sup>.

Despite being an important feature of the transition process, it has proven almost impossible to account for homeland return and remigration statistically. The fact that highly skilled Croatians from the diaspora account for part of the remigrant population points specifically to the problem of statistical records; skilled mobility is difficult to trace due to the transnational mode of living and circular migration patterns (see Hornstein Tomić, 2014). It is noteworthy that this particular remigrant group has been widely ignored in public and expert discourse on the brain drain and skilled mobility in Croatia,<sup>5</sup> let alone discovered as a potential resource for homeland development.

Current migration data from the Croatian Bureau of Statistics (2014) confirms the trend of continuously increasing mobility that has prevailed for the past decade. Accelerating migration is by no means a sudden phenomenon subsequent to EU accession as some might assume. Tertiary educated and highly skilled professionals tend to make up the larger proportion of Croatians engaging in outward mobility than is their percentage in the overall population. The need to transform brain circulation to gain brain by reaching out to diaspora through return programmes is therefore evident. Diaspora outreach and calls for return were issued in the pre and early transition period and the role of diaspora as a development agent has remained a controversial topic of discussion ever since.

Individual return stories have only rarely been publicised and the impression remains that return experiences have been rather ambivalent. Skilled diaspora/highly qualified personnel and scientists in particular though have been identified as a specific target group; this occurred mostly after the millennium<sup>6</sup> when Croatia became more strongly engaged in focusing on the concept of a ‘knowledge society’ as a development policy. Conferences with Croatian scientists from the diaspora were organised in 2004 and 2007 and a contact database and joint programmes were established.

The ‘Unity through Knowledge Fund’ (UKF) was created in 2007 (supported by a World Bank loan) and is currently engaged in its second phase of programmes targeted at diaspora scientists. The aim is for diaspora scientists to cooperate with Croatian scientists and domestic institutions as well as with industry. The first programme cycle also contained return facilitation (for a detailed account of the correspondence on a knowledge based development strategy with diaspora outreach policies see Hornstein Tomić and Pleše, 2014). The UKF is widely considered a success receiving international recognition for its work on increasing the international competitiveness of the domestic scientific sector. This was achieved through peer cooperation. A new fellowship scheme ‘The New International Fellowship Mobility Programme for Experienced Researchers

in Croatia' (NEWFELPRO) is a project of the Government of the Republic of Croatia and the Ministry of Science, Education and Sport. It is intended to enhance the mobility of Croatian researchers and scientists and further enhance 'brain circulation' and cooperation with international partners and institutions. In addition to the UKF, it is open to scientists of non-Croatian origin<sup>7</sup>.

Albania, Bosnia and Herzegovina, Montenegro and Serbia have equally significant proportions of migrating labour force and find it equally difficult to determine reliable figures due to the lack of statistical data. Most migrants appear to be seasonal workers leaving for a limited period; however, the percentages of migrants with tertiary education are estimated to range between 9% and 30% of the total working population, which everywhere is considered to represent a severe brain drain. The national governments are engaged in developing 'brain gain' and proactive migration policies to enhance circulation and immigration. These are frequently supported through international and private or private and public partnership programmes. Identified as the most effective policies are those that do not attempt to prevent mobility and migration but rather network with and connect to diaspora (see Pavlov and Zeneli, 2013).

Quite similar to the Croatian diaspora is the Ukrainian diaspora. It is a large diverse yet heterogeneous group with significant influence over developments at home (see Rishko, 2004). In addition to the activities of numerous diaspora organisations, some individual members of the diaspora are well connected to their homeland through professional associations established to facilitate transnational cooperation. However, the success of cooperation on fostering homeland development seems to rely largely on the personal profiles of diaspora members and their counterparts at home. Generational dynamics also seem to play a significant role concerning visions of and actual activities for homeland development (see Rishko, 2004).

Yet the most striking example of how migration can change the demographic and economic panorama of a country within a relatively short time span is Moldova. It is estimated that 25% of the labour force has emigrated over the past two decades. Research has shown that amongst these post-transition emigrants a strikingly high number of scientists have left the country: In Moldavia there were 30,000 registered scientific researchers in 1990 yet this number had dropped to just 5,000 by 2004.

Such a profound brain drain is considered not only as a loss but also as a great potential for transnational cooperation (see Varzari, 2013). A 'Joint Declaration on Mobility Partnership' between the European Union and Moldova has been

issued to encourage return migration and to create productive networks with the Moldovan diaspora in European Union Member States. Furthermore, Moldova has created a proactive set of policies aimed at the creation of more favourable economic conditions to encourage return migration and the establishment of links to the diaspora (see Chirita, 2013; Porcescu, 2013).

Comparatively observed, perspectives for career advancement seem to be the primary push factors for the migration of the highly skilled; financial considerations range less prominently. Widespread dissatisfaction with the general political, social and economic conditions at home fuel discourse amongst the tertiary education but unemployed youth on emigration, as shown through web portals, in social life and the media. However, as the Croatian example has so far shown, this discourse usually conveys impressions that differ to what happens in reality (see Hornstein Tomić and Pleše, 2014).

### **Reality Check: Experiences of Scientists who Lived Abroad and Remigrated to Croatia**

Experiential accounts by scientists who have lived abroad and eventually returned to Croatia may help to get a better understanding of what happens in reality with respect to the remigration of highly skilled professionals. The preliminary findings presented here are based on semi-structured narrative interviews with scientists who left either shortly before or in the early or latter stages of the transition process and who in the meantime remigrated home.

Some of them only lived abroad for three to four years, while others for a decade or more and one even returned after almost seventeen years of life overseas. All of the narratives conveyed that both outward mobility/migration and return/remigration bear chances and risks. They show that both are motivated by the prospect of better chances for personal development and in the case of outward mobility for professional/career advancement. All reflected the desire for greater life satisfaction amongst individuals and their partners or families.

The reasons/push factors for outward mobility in the specific Croatian context have of course changed over time and so have the perspectives of individual experience. Those who left right before or in the early transition phase stressed the constraints on personal freedom and security, unstable political conditions and ultimately the outbreak of war as reasons for leaving the country. Those who left at a later stage emphasised the prospect of enjoying more social and working rights, the dim domestic chances for career advancement and a lack of jobs as push factors. Limited access to positions, plugged career paths, a shortage of social



resources and the lack of social capital were pointed out as decisive factors when searching for an alternative elsewhere.

No one just left over night. The preparations had already been ongoing and had therefore paved the way by the time the final decision to go abroad was taken. Job openings or scholarships could then be the last trigger to the move, adding to all of the perspectives on the eventual accumulation of economic, cultural and social capital and expectations of gaining knowledge, income and status.

The reasons/pull factors for the return mobility were connected to changes in the political and economic conditions and of the socio-cultural atmosphere in Croatia. Yet the longing for 'home', family ties and life cycle related considerations such as raising children and having elderly parents to care for them were highly influential. The prospect of greater life satisfaction due to a more favourable environment for balancing work and life along with having an employment position were emphasised as decisive factors in the decision to move back: no one would have dared to return without having a job in sight.

Four aspects repeatedly mentioned in the accounts of remigration experiences were identified as being crucial to determining successful and sustainable reintegration: (a) the role of networks and social capital, (b) chances for knowledge transfer and (c) strategies of adaption.

### **a. Role of networks and social capital**

The ways back into professional (for example, academic) and social worlds largely depend on continuous networking whilst abroad and on regular visits. Geographical proximity of course facilitates keeping channels open through contact and even reciprocal visits. It was emphasised that networking needs to be understood as a long-term investment: regular contact with peers appeared crucial for opening up perspectives of a position upon return. To acknowledge homeland ties, pay tribute to social connections and sustain relationships through routine visits seemed to increase the chances for partners and children to reintegrate. However, wishes, expectations and actual homeland relatedness often differ between partners or within families and needs careful adjustment and balancing between everyone involved. Transnational flows of remittances and financial investments are usually part of sustained social relations. However, material and social investment might not always 'pay off' as expected back 'home'. One might conclude that the better the way is paved/prepared the smoother reintegration goes. Yet long periods in limbo, of insecurity and ambivalence concerning the decision to return seem more the rule than the exception. After all, preparedness and readiness count equally



in terms of successful remigration; however, they do not guarantee sustainable reintegration.

### **b. Chances for knowledge transfer**

A returning scientist usually brings knowledge and skills acquired abroad that could be new and enriching for the professional community at home. Programmes to facilitate skilled mobility and knowledge transfer through scholarships and return schemes (i.e. UKF - NEWFELPRO) attempt to provide a structural and financial framework for successful professional reintegration. They are an indispensable prerequisite for increasing the chances of transferring and applying new knowledge. Nevertheless, it is up to the individual scientist to create the conditions for later action through maintaining pre-return cooperation and by working towards securing not only a position (see Portes and De Wind, 2008) but also potential partnerships before and subsequent to remigration. Sometimes, channels for transfers of skills and knowledge might be hard to discover or plugged and not easily allow for new knowledge to flow: to be taught to students, to be tested and developed further through research projects or to be included into the organisation of everyday work routines. To say the least, Knowledge advantages can, just like knowledge deficits, particularly the lack of tacit and social knowledge, present obstacles to transfers.

### **c. Strategies of adaption**

To develop and apply strategies of adaption seems a central requirement for supporting reintegration and for increasing the chances of knowledge transfer. The personal accounts conveyed a panoptikum of such strategies, but also reluctance at having to develop them. Preparedness to learn and listen was frequently mentioned as a crucial precondition for convincing counterparts to learn and listen to what a remigrant might have to say. To come and show how things are done better elsewhere usually backfired. A social place in the professional community is not prepared but needs to be found and claimed, even if a position is waiting. Hierarchies and the rules of the game and of seniority have to be accepted. A remigrant has to come to terms with an initial peripheral position. Appreciation and respect for specific experiences might seldom if at all be expressed and signs of interest or curiosity hard to detect. Unrealistic expectations need adjusting. It requires patience and perseverance as much as frustrated tolerance to cope with the temporal pariah status, with the lack of recognition and with not being included at once. The backdrop of loss of actual status as well as income often have to be accepted as 'collateral damage' in remigration, such experiences were described as severely challenging. Some spoke with humour about "being put in one's place",

while others spoke with reluctance about the humiliation of having to “step down” from an advanced position already achieved in a foreign context in order to “climb up the ladder again from the bottom”.

### **Concluding Remarks**

Highly skilled professional remigrants, such as scientists, are driven as much by the desire to contribute towards innovation and to the improvement of local working environments, the quality of education and raising the international competitiveness of domestic production as by their private motives. It requires structural conditions to open up spaces for agencies of change, but it also depends profoundly on social skills on all sides. Transition funds help to diminish the threat of competition posed to peers and the fight over resources: new approaches are more likely to be tolerated if finance is secured. However, individual experience shows that it is crucial to build a constituency amongst peers in order to find likeminded partners for critically revisiting routines and for testing new ways and paving the way for innovation.

To invest in participatory practices or to engage in governance sometimes proves the way to go if one desires to achieve change. However, remigrants should not be overvalued (nor overburdened) as agents of change and a rational perspective maintained on what is possible and desirable. Necessary social skills on the remigrant side have to be met by a welcoming culture for remigration to become beneficial. Habitual patterns of stereotyping those who left, those who were raised abroad and those who remigrate are a present feature of Croatian public discourse. Questioning the motives, qualifications acquired abroad and the legitimacy of the grounds on which a remigrant may claim access to possessions, positions and to participation in the ‘local game’ is equally common. Policy makers need to take into account not only the financial resources but also the socio-cultural environment that determines the success and sustainability of ‘brain gain’ and return programmes.

That skilled mobility is likely to keep increasing in the years to come can be considered a strain on homeland development. Bearing in mind that society profits most from skilled mobility, when political, economic, regulatory and socio-cultural circumstances foster development (circumstances that remigrants themselves cannot create) skilled mobility could be recognised as a development incentive and potential resource. A dynamic labour market, low inequality, easy access to public services, social security, socio-cultural diversity and pluralism are as attractive to residents as to remigrants. In the end, it is individual risk, resource and resilience more than policies that turn remigration, as with any other

intentional mobility, into a success.

## Bibliography

- Atac, I. *et al.* (eds). 2014. *Migration und Entwicklung. Neue Perspektiven*. Vienna: Promedia.
- Chirita, O. (2013). EU Policies and Initiatives on Migration and Development towards Eastern Partnership Countries: The Implications for Skilled Mobility from Armenia, Georgia and Moldova. In: Varzari, V. Tejada, G and Porcescu, S (eds). *Skilled Migration and Development Practices: the Case of Moldova and South-East European Countries*. Chisinau: Acad. De Stiinte a Moldovei and École Polytechnique Fédérale de Lausanne, pp. 18-34.
- Čapo, J. Hornstein Tomić, C. and Jurčević, K. (eds). 2014. *Didov San – Transgranična iskustva hrvatskih iseljenika* [Grandfather's Dream: Transborder Experience of Croatian Migrants]. Zagreb: Institute for Ethnology and Folklore Studies and Institute for Social Sciences Ivo Pilar.
- Hornstein Tomić, C. (2014). Migration activity from Croatia to Germany and Return Tendencies – an account of recent developments. In Hornstein Tomić C. *et al.* (eds). *Hrvatsko iseljništvo i domovina [Croatian Emigration and Homeland]*. Zagreb: Institute Ivo Pilar, pp. 273-282.
- Hornstein Tomić, C. and Pleše, B. 2014. *Skilled Mobility as a Challenge for Croatian Diaspora and Migration Policies*. In Varzari, V. Tejada, G and Porcescu, S (eds). *Skilled Migration and Development Practices: Republic of Moldova and the Countries of South East Europe*. Chisinau: Acad. De Stiinte a Moldovei and École Polytechnique Fédérale de Lausanne, pp. 80-95.
- Hornstein Tomić, C and Scholl-Schneider, S. (forthcoming in January 2015). 'Ein leichtes Spiel?' Erfahrungen der Rückkehr im postsozialistischen Kontext Kroatiens und Tschechiens'. (An Easy Game? Experiences of Returns into the Post-socialist Contexts of Croatia and the Czech Republic). In Kaiser, M. and Schönhuth, M (eds). *Zuhause fremd 2.0*. Bielefeld: transcript.
- Hornstein Tomić, C. 2011. *Das Deutschlandbild von Zuwanderern aus Kroatien*. (The Image of Germany from Croatian Immigrants). In H. Reifeld (ed). *Das Deutschlandbild in Herkunftsländern (The Image of Germany in Countries of Origin)*. Sankt Augustin: Konrad Adenauer Foundation, pp. 9-16.
- International Organisation of Migration (IOM) and the Slovenian Ministry of the Interior. 2007. *Migration Profile Croatia*, 10/2007:31-32. Available at: <[http://publications.iom.int/bookstore/index.php?main\\_page=product\\_info&cPath=41\\_42&products\\_id=618](http://publications.iom.int/bookstore/index.php?main_page=product_info&cPath=41_42&products_id=618)> [accessed on 20 September 2014].
- Portes, A and De Wind, J. 2008. *A Cross Atlantic Dialogue: The Progress of Research and Theory in the Study of International Migration*. In Portes, A and De Wind, J (eds). *Rethinking Migration: New Theoretical and Empirical Perspectives*. Oxford & New York: Berghahn Books, pp. 3-28.
- Rishko, A. 2013. Ukrainian Highly Skilled Migrants: *Characteristics of the Community and Schemes of Cooperation with Ukraine*. In Varzari, V. Tejada, G and Porcescu, S (eds). *Skilled Migration and Development Practices: the Case of Moldova and South-East European Countries*. Chisinau: Acad. De Stiinte a Moldovei and École Polytechnique Fédérale de Lausanne, pp. 80-95.
- Tejada, G. 2013. *Skilled Migration, Transnational Cooperation and Contributions to Development: Evidence from the Moldovan Scientific Diaspora*. In Varzari, V. Tejada, G and Porcescu, S (eds). *Skilled Migration and Development Practices: the Case of Moldova and South-East European Countries*. Chisinau: Acad. De Stiinte a Moldovei and École Polytechnique Fédérale de Lausanne, pp. 96-122.
- Varzari, V. 2013. *The Scientific Community of the Republic of Moldova: an Empirical Analysis of Cooperation Prospects with the Moldovan Scientific Diaspora*. In Varzari, V. Tejada, G and Porcescu, S (eds). *Skilled Migration and Development Practices: the Case of Moldova and South-East European Countries*. Chisinau: Acad. De Stiinte a Moldovei and École Polytechnique Fédérale de Lausanne, pp. 123-139.

---

<sup>1</sup> "Approaches that focus on migration due to underdevelopment see in mobility pressures a consequence of global inequality; migration thus as contributing to growing centre/periphery divides which are manifested in development gaps, power and resources asymmetries; migration eventually as leading to the destruction of traditional and local industries, which produces a constant flow of migrant labour and brain drain from the peripheries to the centres". (Kraler and Parnreiter, 2005 cited in Atac *et al.* 2013:12).

"On the contrary, the approach to migration as indicator for greater welfare, development and prosperity is based on theories of mobility transition, which focus on three stages of modernisation: (1) raising emigration

due to increasing modernisation and development; (2) migration becoming affordable for larger population parts (migration hump), once societies have reached a certain modernisation and life quality level; return and growing immigration can also be observed; (3) eventual reduction of emigration". (Martin and Taylor, 1996; de Haas, 2008, cited in Atac et al., 2013:12).

<sup>2c</sup>"The phenomenon of remigration in the Croatian context first caught my attention in 2010 while I was researching current migration dynamics between Croatia and Germany (a study commissioned by the Konrad Adenauer Foundation" (Hornstein Tomić, 2011).

I have since conducted, overall, 22 semi-structured and narrative interviews with individuals, couples and families (one or two migrant generations), mainly tertiary educated professional groups who had returned from a variety of countries, such as Austria, Croatia, the United States and Canada, in order to create an empirical basis for case studies. Together with content analysis of secondary sources, statistical data collection and analysis, I pursue a multimethodological research approach that I find indispensable for grasping similarities but also variations in specific itineraries/biographies/experiences. When related to and compared with secondary sources and data analysis this may give non-anecdotal profound insights into individual agencies for change in the structural context.

<sup>3</sup>There are indications that about 85% of the global share of unskilled migrants and only 5% of highly skilled migrants move to the EU (a staggering asymmetry when compared to the USA with a global share of 5% unskilled and 55% skilled migrants). The EU might face a shortage of nearly 1 million healthcare sector workers by 2020 and from 384,000 to 700,000 thousand in the ICT sector.

<sup>4</sup>A first comprehensive volume, which attempts to grasp the diversity of remigration to Croatia since independence, was published in spring 2014 (Čapo, Hornstein Tomić and Jurčević (eds), 2014).

<sup>5</sup>Marin Sopta, a remigrant from Canada, is one of the rare voices in Croatia who has researched and keeps emphasising the need to engage the diaspora in state independence and homeland development in the transition process.

<sup>6</sup>The IOM Migration Profile for Croatia 2007 identified highly skilled workers as the primary deficit in the domestic labour market (in an ageing and demographically constantly shrinking society). Available at: <[http://publications.iom.int/bookstore/index.php?main\\_page=product\\_info&cPath=41\\_42&products\\_id=618](http://publications.iom.int/bookstore/index.php?main_page=product_info&cPath=41_42&products_id=618)> [Accessed 20 September 2014].

<sup>7</sup>NEWFELPRO is co-financed through national sources and the Marie Curie FP7-PEOPLE-2011-COFUND programme. Its total value is 7 million Euros, out of which 60% is financed from national sources. Project duration: 2013-2017. Available at: <<http://www.newfelpro.hr/default.aspx?id=63>> [Accessed 28 August 2014].

**MMag. Ines Šuh**

**World University Service (WUS) Austrija**

## **THE IMPACT OF THE TEMPORARY RETURN OF HIGHLY SKILLED MIGRANTS FROM THE WESTERN BALKANS - THE CASE OF THE 'BRAIN GAIN PROGRAMME'**

### ***Abstract***

*In the 1990s the new paradigm of 'brain circulation' emerged, which advocates development through employment of human capital in the most productive context. The Brain Gain Programme was created in line with this development. The Programme was implemented by the World University Service (WUS) Austria from 2002 until 2011 in four Western Balkan countries: Bosnia and Herzegovina, Kosovo, Montenegro and Serbia. It enabled the implementation of over 600 guest lectures by scholars who had emigrated from the region. An extensive impact analysis conducted at the end of the programme surveyed 61 host institutions and 116 guest lecturers. Questionnaires examined two main issues: the contribution of guest lecturers to the development of international cooperation and quality improvement. The results indicate the positive impact of the programme on increased mobility from the host to the sending institutions, improvement in the quality of the curricula (in terms of content and methods) as well as development of further cooperation (other projects and follow up activities). This research offers the governments of the Western Balkan countries input for the future development of their migration policies.*

**Key words:** *human capital, brain drain, brain circulation, temporary return, diaspora and Western Balkans.*

### **Introduction**

In the 1960s and 1970s the brain drain – the emigration of the highly educated or a country's loss of human capital – was at that time considered as a mere loss of resources for the developing countries and thus a phenomenon that would benefit the developed countries at the expense of the less developed. Contrary to

this nationalistic view, in the late 1990s a new internationalist or cosmopolitan perspective emerged. This new perspective contends that the employment of human capital, in the more productive context, leads to development in both the origin and destination country (see Milio et al., 2012).

The new paradigm of ‘brain circulation’ emerged as presented in Gaillard and Gaillard (1997). They present evidence from studies confirming that professionals and scientists no longer migrate to stay in a destination country but rather, depending on their motives and preferences as well as the conditions and level of development in their country of origin, are increasingly likely to circulate – physically or virtually – between their home and destination country. The example of Asian countries (Taiwan, South Korea, China and India) demonstrates that the level of development of a country and the creation of a productive environment (i.e., investment in research and technology) encourages brain gain and circulation, whereas restrictive measures do not yield any success. According to Meyer (2001: 97), those highly skilled that emigrate should not be considered as a loss to the developing countries but as an asset that should be mobilised.

In the 1990s, there was a major shift towards migration by the highly skilled in developing countries to the developed countries. In the nineties the number of the highly educated immigrants in OECD countries increased by 70%, doubling for those originating from developing countries, while the increase in low skilled immigrants was 30% (see Docquier and Rappoport, 2011: 2). As the Western Balkan countries are part of the group of small sized middle income countries whose nationals have both the motivation and the means to emigrate they contribute to this global trend of high-level brain drain (see Docquier and Rappoport, 2011).

There was a big wave of emigration of highly educated people from former Yugoslavia in the 1990s, which was a consequence of the wars and difficult political and socioeconomic situation in its former republics. This brain drain increased during the post war period due to the continued and difficult socioeconomic situation. The highest percentage of highly skilled and young emigrants from Bosnian and Herzegovinian was evident in the years after the 2000, during that period it was easier for highly skilled emigrants to find work and young people were more inclined to emigrate (see Pozzi, 2011).

As cited in Stankovic et al. (2013: 268), investment in research and development in the Western Balkans is below 0.5% of gross domestic product, which is well below the EU 28 average that amounts to 2.07% (Eurostat, 2014). Together with other influencing factors, such as difficulty of hiring, the standing in the corruption index, availability of venture capital and university-company collaboration, these

countries do not offer favourable conditions to retain or attract scientific staff (see Stankovic et al., 2013). The brain drain rates according to Beine et al. (2007), corrected according to the age of entry of immigrants to the destination country (as an indicator of where the education was attained), are presented below for the Western Balkan (WB) countries. It is evident that the brain drain rates for Macedonia and Bosnia and Herzegovina are especially high, although the trends in the other countries in the region are not much better.

**Table 1: Brain drain from the Western Balkans, estimates based on age of entry**

	Brain drain 0+		Brain drain 12+		Brain drain 18+		Brain drain 22+	
Country	1990	2000	1990	2000	1990	2000	1990	2000
Albania	17.4%	14.3%	17.3%	14.1%	17.1%	13.9%	16.1%	13.2%
Bosnia and Herzegovina	-	23.9%	-	23.2%	-	22.9%	-	21.9%
Croatia	-	24.1%	-	22.1%	-	20.7%	-	18.9%
Macedonia	-	29.1%	-	26.9%	-	25.9%	-	24.1%
Serbia and Montenegro	-	13.7%	-	13.3%	-	12.9%	-	12.3%

*Source: Beine et al. 2006: 26-28.*

Several studies prove that, contrary to certain assumptions, it is not the case that increasing numbers of skilled persons are emigrating but that the migration process and the more competitive environment abroad in which emigrants find themselves drives them to aim for acquiring higher qualifications (see Meyer, 2001; Gibson and McKenzie, 2010). The great potential of the diaspora lies in its human capital, which is one of the main determinants of economic growth and development of a country. Human capital, in terms of a highly educated population, does not only allow countries to enhance their own technological innovation but is also a precondition for their adaptation and implementation of technologies developed elsewhere (see Benhabib and Spiegel, 1994). Therefore, even if the developing countries lack the necessary human, financial and infrastructural capacities to compete in the global market of technological innovation, in order for them to grow, human capital allows them to adapt and implement technological solutions developed elsewhere as well as to attract financial capital.

Therefore, the Western Balkan countries should use the so-called ‘diaspora option’ to turn the ‘brain drain’ into ‘brain gain’ and to develop their human capital. Yet it is difficult for them to attract the scientific diaspora to return home due to the aforementioned unfavourable conditions; however, there are several measures that can encourage temporary return and brain circulation. Even if the highly skilled do not generally get involved in the diaspora networks, subscribe to national



newspapers or go to national ceremonies they do become inadvertently involved in the knowledge networks and in such a way create a form of community (see Meyer, 2001: 100). Evidence shows that members of diaspora join networks in order to follow and respond to developments in their home countries. They become engaged in issues affecting their home countries and the scientific diaspora participates in joint scientific projects, organisation of conferences, symposia and joint scientific papers and thus contribute to the transfer of knowledge and technology. Evidence for these occurrences can be found in the example of the Romanian e-diaspora network 'Per aspera ad astra' (see Nedelcu 2011). The involvement of different scientific diaspora from around the world (see Brown 2000) and an impact analysis of the Brain Gain Programme, which is the subject of this paper, is presented in the forthcoming chapters.

Chapter 2 contains a description of the Brain Gain Programme to allow for a better understanding of the research project. The research method is presented in Chapter 3, while Chapter 4 contains the results, in terms of the programme results and thus the affect on the development of the host higher education institutions and the temporary return of scholars that emigrated. Chapter 5 presents conclusions.

## **Description of the Brain Gain Programme**

In order to respond to the wave of brain drain and to use the potential of diaspora to fill the gaps in the local research and teaching capacities, World University Service (WUS) Austria developed the Brain Gain Programme (BGP). The Programme targeted the temporary return of scholars originating from former Yugoslavia to the region for the purpose of teaching and research. Austrian Development Cooperation financed the programme, which WUS Austria implemented from 2002 until 2011 in four Western Balkan countries: Bosnia and Herzegovina, Kosovo, Montenegro and Serbia. It enabled implementation of over 600 guest lectures by scholars that had emigrated from the region.

BGP allowed faculties/universities from Bosnia and Herzegovina, Kosovo, Montenegro and Serbia to invite professors, assistants or experts in relevant fields who originated from former Yugoslavia to teach as guest lecturers for a period ranging from one to three weeks. In the last phase of the programme, from 2007 until 2011, an additional component was introduced: extended period of stay of one semester, which in addition to lecturing included mentoring and research activities. Consequently, the programme was renamed the 'Brain Gain Programme Plus' (BGP+).

Considering that BGP was an Austrian programme, researchers from Austrian



institutions of higher education, regardless of their country of origin, were also eligible to take part in the programme.

The Brain Gain Programme was foreseen as an effective means to link guest lecturers to the existing networks in the region and make them a driving force for knowledge transfer and quality assurance. This Programme aided the development of universities in the Western Balkans and in some cases even resulted in the repatriation of emigrated scholars, which was not the focus of this Programme.

The BGP (BGP+) programme adopted a regional approach to the issue of brain circulation, taking into consideration the fact that migrants, especially those from former Yugoslavia, still feel attached to their former country and are involved in the affairs and projects of the whole region. However, the governments of these countries failed to build on this basis and did not undertake any further activities once the Programme ended. Therefore, ten years after the BGP(+) Programme began scholars still urge government in the South-East European countries to adopt a regional approach to fostering brain circulation (see Stankovic et al., 2013).

## Methodology

The survey was conducted on the micro level. Both former guest lecturers and host institutions were examined using questionnaires. The aim was to investigate the direct impact that the Programme had on the improvement of quality and enhancement of international cooperation, as two important factors for development in the higher education sector. The survey, conducted in the final stage of the Programme, covered the period from 2002 to 2010.

## Sample

All participating guest lecturers and host institutions were contacted. The questionnaire was sent to the person at the host institution who was most involved in the Programme. This person was usually the head or deputy-head of the respective department, the coordinator from the international relations office, the head of the respective study programme or a professor from the respective institution. The number of responses is given in the table below.

**Table 2: The number of completed questionnaires**

	Total	BiH	Kosovo	Montenegro	Serbia
Host institutions	61	17	4	7	33
Guest lecturers	116	30	19	16	60

It is evident that the sum of replies by guest lecturers for single countries is higher than the total number. This results from the fact that some lecturers conducted BGP (+) visits in several countries and thus counted as a separate case for each country. The difference between the real number of responses (116) and the sum of the national responses (125) is not large in relative terms (less than 10% of the overall sample).

## **Questionnaires**

Two types of questionnaires were developed for two groups of respondents, based on the programme description; the listed outcomes as well as the indicators of progress were provided in the project proposal. The questions, focused on the actual evaluation of the BGP Programme (Part 2), required respondents to indicate their replies using a scale of 1 to 4 the fifth additional possibility of “I don’t know” provided in order to ensure that respondents only selected one of the first four options if they were sure about the answer.

## **Results**

The results were analysed using descriptive statistics and indicated a positive impact of the Programme on both quality improvement and cooperation development. The surveys of both guest lecturers and of the host institutions confirmed the expected programme results. Considering that they had the largest samples, additional analyses were conducted for Bosnia and Herzegovina and Serbia. These analyses were generally in line with the overall results.

Out of the 116 surveyed guest lecturers 70% were male and 30% female; more than half were between 30 and 50 years of age: 18% were in their fifties and 15% in their sixties, while 3-6% were under 30 or above 70. The majority lived in the USA (22%), followed by Austria (16%) and Germany (15%). The others were situated in Sweden, France, UK, Australia, South Korea and elsewhere. It is interesting to note that two people answered that they were currently living in Kosovo and one in Bosnia and Herzegovina, which means that they had returned to their country of origin.

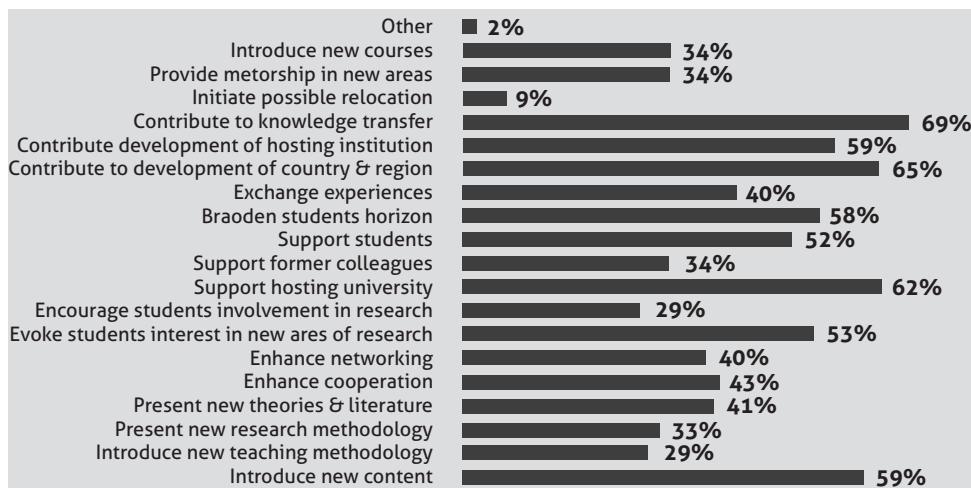
## **General Findings**

The most frequent type of BGP stay according to the guest lecturers was the stay between 1-3 weeks (96%), which was in line with the expectation that migrants prefer shorter stays that are easier to combine with their obligations in their destination countries. However, it must be pointed out that the low percentage

of longer stays of up to four months (2%) can be attributed at least partly to the shorter period of implementation of this type of action (final 3 years). The host institutions reported higher percentages for longer periods of stay. The actions with extended periods of stay of more than 3 weeks, which included both lecturing and mentoring, were as high as 30% in Bosnia and Herzegovina and 15% in Serbia, whereas overall this action was used by 23% of host institutions.

More than 50% of the guest lecturers repeated their visits, with 7% having implemented more than seven. In the case of the host institutions, almost 70% reported having hosted more than one guest lecturer. Thus, there was interest in cooperation on both sides. When asked about their plans to transfer permanently to their country of origin only 36% of emigrants replied that they did not have such plans, 19% answered that they planned to move back and 44% said they would consider this option. The most interesting case was Kosovo where 53% reported their intention to go back, 42% said “maybe” and only 5% of respondents had no such intention. According to the additionally obtained data, over 20 scholars who participated in this Programme went back to settle in Kosovo after having conducted a BGP (+) visit. This is an impressive finding, although it cannot be attributed solely to this Programme since there may have been other influencing factors.

The main reason for guest lecturer participation in the Programme was to contribute to knowledge transfer (see Graph 1 below). This was immediately followed by their desire to contribute to the development of their respective country and region and to support the host institution. Only a small percentage (9%) selected the answer, “To initiate possible relocation”. This result goes in favour of the notion that scholars who emigrated are more interested in contributing to the development of their countries of origin through brain circulation than using projects such as BGP as a channel to re-establish in their home country.

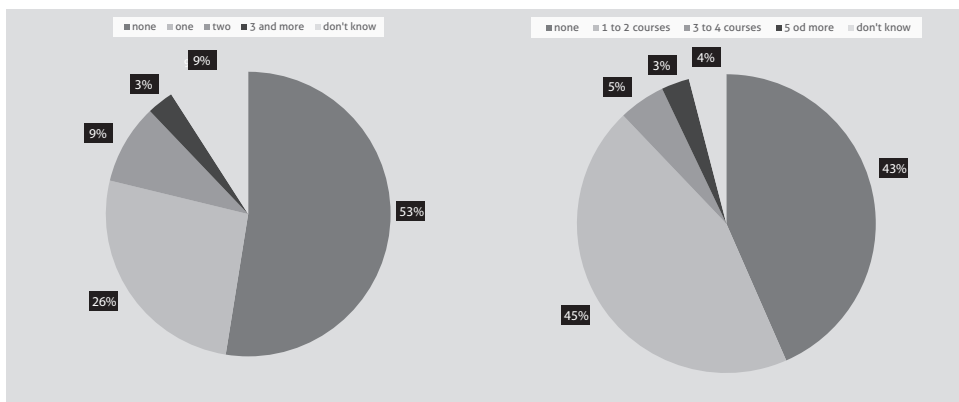
**Graph 1: Guest lecturer reasons for participation in the Programme**

In the case of the host institutions, the most common reasons for participation in the Programme were the introduction of new content into the existing curricula and the exchange of experience, followed by contribution to knowledge transfer, the enhancement of cooperation and the desire to evoke students' interest in new areas of research. At least 55% of the surveyed institutions selected these reasons. The main motivation of the host institutions in Serbia to participate in the Programme was the introduction of new curricula content (just like in the overall analysis), whereas in Bosnia and Herzegovina the main reason was the introduction of new courses (thus more focused on curricula modification).

## Quality Improvement

The two graphs below show that the direct involvement of guest lecturers in the process of curriculum development was noticeable. Graph 2 demonstrates that almost 40% of the surveyed guest lecturers supported the development of new study programmes and, as expected, the percentage of guest lecturers who participated in the development of new courses was even higher (over 50%), as depicted below in Graph 3. It is significant that in both cases 3% of the surveyed guest lecturers helped develop three and more study programmes and five or more new courses. These results are proof of the impact of the involvement of emigrated scholars beyond their core activities as guest lecturers, especially when you consider (as also pointed out by one respondent) that it is very difficult to change or modify curricula. When asked about their general involvement in the process of curriculum development, 60% reported at least moderate involvement. The replies

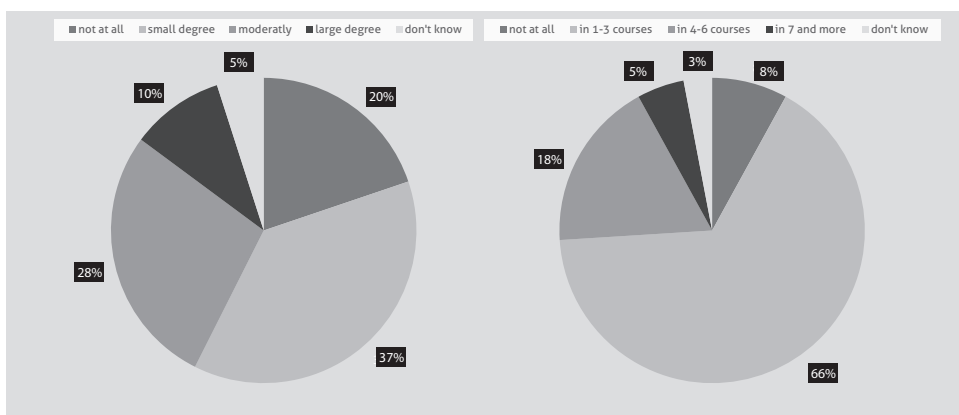
of the host institutions were in line with these results, with only minor deviations.



**Graph 2: Assistance in development of new study programmes, according to guest lecturers**

**Graph 3: Participation in the development of new courses, according to guest lecturers**

More than 75% of host institutions reported that guest lecturers participated in the process of development or modification of the curricula<sup>1</sup> (see Graph 4). Moreover, in the vast majority of cases BGP (+) influenced the introduction of interactive teaching methods (discussions, presentations etc.) at the host institution, as presented in the Graph 5. In 70-80% of cases, the lecturers from the host institutions adopted the methods used by the guest lecturers.



**Graph 4: Participation in current development, according to hosting institutions**

**Graph 5: Introduction of interactive methods, according to hosting institutions**

<sup>1</sup>In general, introduction of new university courses as well as the modification of the existing ones beyond a certain percentage requires re-accreditation of the respective programme. In addition, any changes to the curricula also entail significant administrative effort considering that several university units are involved in such a process (usually institute/department, the rector's office, senate).

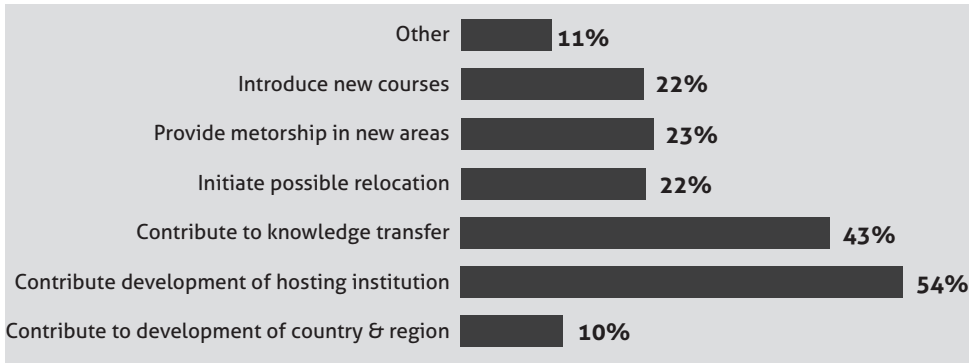
Almost 40% of host institutions reported that guest lecturers had considerable influence over the increase of the students' interest in international exchange, while 39% reported the same level of increase regarding the students' interest in research activities. No influence on international exchange and research activities was reported by 0% and 2% respectively. In their additional comments, respondents wrote that this influence was major and important. This was because, on the one hand, the guest lecturers raised the students' self-confidence concerning their competitiveness on the European/international market and, on the other, some guest lecturers connected students with their own networks and introduced them to different options for international academic mobility.

Negative comments referred to the political (visa issues) and institutional problems (initial phase of adaptation of the Bologna principles) as obstacles to the increase of students' international mobility. It was emphasised in relation to interest in research activities that, under the influence of guest lecturers, students were encouraged to develop their own projects, conduct research projects in cooperation with the guest lecturers, get in touch with research areas less developed at the host institution and were therefore more able to define their specific research interests. Moreover, 95% of surveyed institutions stated that guest lecturers had a positive impact on the students' inclination to continue their education at postgraduate and PhD level (small influence - 3%, moderate - 30%, high - 62%). In line with these results, more than 90% of surveyed guest lecturers considered that they had a positive impact on students' interest in research.

An important contribution of the emigrated scholars was the improvement of the offer available at the host institutions through access to expertise in areas not previously covered. Those guest lecturers who visited only one institution (84%) offered courses/mentorship in new areas previously not dealt with by the host institution. Most of the lecturers that visited more than one institution (more than 90%) offered mentoring/courses, while 16% always offered these options. Furthermore, 41% of the surveyed guest lecturers (32 lecturers) who visited only one institution stated that they continued to provide mentorship as thesis advisors at the respective host institution. Almost 30% (12 lecturers) of those who visited several institutions provided mentorship at a few and 16% (7 lecturers) at the majority of the visited institutions. This is a very important finding since it indicates continuing commitment on the part of the emigrated scholars to improving the offer at the host institutions. Even if these mentorships are conducted in an informal manner or if guest lecturers take on the role of co-mentor the students are provided with the ongoing opportunity to research new areas.

## Cooperation Development

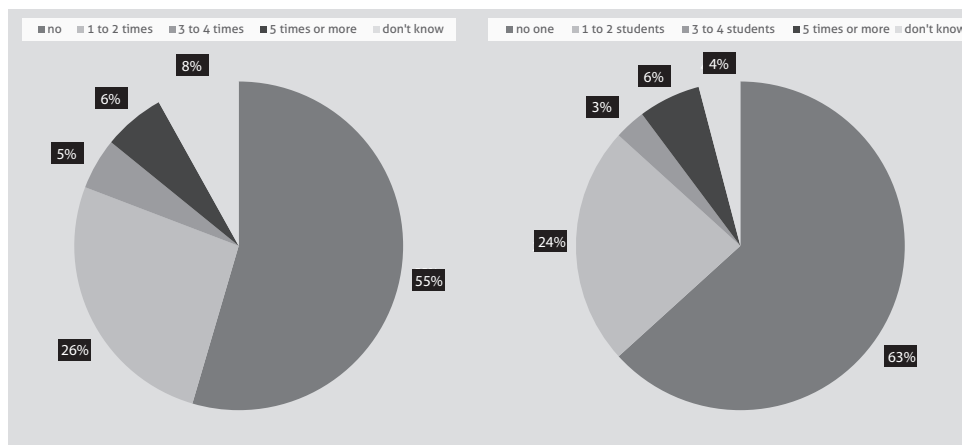
All of the institutions plan some kind of follow up projects in the future, while 80% per cent reported having established continuous cooperation with the guest lecturers. A slightly lesser percentage (90%) of the guest lecturers were planning follow up activities with the institutions they had visited, as indicated below in Graph 6.



**Picture 6: Envisaged followed up migrants activities**

More than 60% of guest lecturers reported having already cooperated with the host institution on other projects besides BGP (+), whereas 10% had cooperated on three or four projects. Moreover, over 50% of respondents reported having initiated at least one cooperation activity between the host institution and some other institution. This is another indication that the guest lecturers played a role in the host institutions' process of establishing cooperation, which is one of the major factors in the process of institutional development.

Further confirmation of the continuing cooperation between the guest lecturers and their host institution(s) is provided by the data depicted in graphs 7 and 8. It is very significant that more than 35% of the surveyed guest lecturers reported that in the meantime the institutions where they currently work have hosted lecturers from their host institution(s). Almost 90% of respondents stated that they still cooperated with at least some of the lecturers from the host institution. Furthermore, 65% of the scholars who visited only one institution reported having developed long-term cooperation with the host institution, whereas 18% of those who visited several institutions rarely reported having established such cooperation: 55% often and 23% always. More than 30% of guest lecturers reported having hosted students from the local institution they visited. In 6% of cases, more than five students took part in some form of exchange (e.g., research visit, summer school or similar).



*Graph 7: Local lecturers' visits to the guest lecturer's institution, according to the guest lecturers*

*Graph 8: Students' visits to the guest lecturer's institution, according to the guest lecturers*

According to the host institutions, subsequent to the BGP (+) visit, in almost 60% of reported cases the lecturers from the host institution conducted study or research visits to the guest lecturer's institution. In almost 50% of cases, students from the host institution had engaged in some form of exchange (research visit, summer school or similar) at the guest lecturer's institution. In those instances where no exchange took place the reason given by the host institution was a lack of funds and organisational capacity. This is an important fact as it indicates where improvement is required and that they can surely be achieved through new mobility schemes by the European Commission and through reforms that are to be undertaken at the universities in the surveyed countries.

## Conclusions

SThe Global Commission on International Migration (GCIM) concluded in their 2005 report "that the old paradigm of permanent migrant settlement is progressively giving way to temporary and circular migration" and recommend state and international organisations to "formulate policies and programmes that maximise the development impact of return and circular migration" (see GCIM, 2005: 31). The BGP (+) Programme, which was already developed in line with this recommendation in 2002, confirmed that enhanced brain circulation contributes to development in the Western Balkan countries.

The results of this research indicate the positive effect of the BGP(+) guest lecturers



on both quality improvement and enhancement of international cooperation. Furthermore, the results show that both the migrants and the host institutions are interested in continuing and in broadening the scope of their cooperation. This research shows that the Western Balkan countries have both the potential diaspora and the need to use this type of instrument for the advancement of the higher education sector. This type of programme was the first step in the process of developing closer cooperation with the diaspora; however, additional preconditions must be fulfilled in order to allow full enhancement of brain circulation, such as academic freedom and increased investment in research and development. More engagement by the governments of the Western Balkan countries is required in order to create these preconditions and to enhance the potential of their diaspora.

## Bibliography

- Benhabib, J. and Spiegel, M.M. 1994. *The Role of Human Capital in Economic Development. Evidence from Aggregate Cross-Country Data*. Journal of Monetary Economics, 34, pp. 143-173.
- Brown, M. 2000. *Using the Intellectual Diaspora to Reverse the Brain Drain: Some Useful Examples*. In Tapsoba, S.J., Kassoum, S., Houenou, P.V. One, B. Sethi, M and Ngu, J (eds). *Brain Drain and Capacity Building in Africa*. Joint publication of the Economic Commission for Africa, the International Development Research Centre, and the International Organisation for Migration. Available at: <[www.uneca.org/eca\\_resources/conference\\_reports\\_and\\_other\\_documents/brain\\_drain/word\\_documents/brown.doc](http://www.uneca.org/eca_resources/conference_reports_and_other_documents/brain_drain/word_documents/brown.doc)>
- Docquier, F and Rapoport, H. 2011. *Globalisation, Brain Drain and Development*. Discussion Paper Series 5590. Institute for the Study of Labour (IZA).
- Eurostat. 2014. *Gross Domestic Expenditure on R&D as a Percentage of GDP* [Internet] Available at: <[http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&plugin=1&language=en&pcode=t2020\\_20](http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&plugin=1&language=en&pcode=t2020_20)> [Accessed 30 September 2014].
- Gaillard, J and Gaillard, A. 1997. *The International Mobility of Brains: Exodus or Circulation*. *Science Technology and Society*, 2, pp. 195-228.
- Global Commission on International Migration (GCIM). 2005. *Migration in an Interconnected World: New Directions for Action*.
- Gibson, J and McKenzie, D. 2010. *The Economic Consequences of "Brain Drain" of the Best and Brightest: Microeconomic Evidence from Five Countries*. Policy Research Working Paper Series 5394. The World Bank. Development Research Group. Finance and Private Sector Development Team.
- Meyer, J.B. 2001. *Network Approach versus Brain Drain: Lessons from Diaspora*. *International Migration*, 39 (5), pp. 91-110.
- Milio, S. Lattanzi, R. Casadio, F. Crosta, N. Raviglione, M. Ricci, P and Scano, F. 2012. *Brain Drain, Brain Exchange and Brain Circulation: The Case of Italy Viewed from a Global Perspective*. Aspen Institute Italia. Available at: <[http://www.lse.ac.uk/businessAndConsultancy/LSEEnterprise/pdf/Brain-Drain-\(English\).pdf](http://www.lse.ac.uk/businessAndConsultancy/LSEEnterprise/pdf/Brain-Drain-(English).pdf)>
- Nedelcu, M. 2011. *The Romanian Scientific e-Diaspora. How an Internet-based Mobilisation of Romanian Scholars Abroad Impacts on Change at Home*. In Polovina, N and Pavlov, T (eds). *Mobility and Migration of Professionals. Personal and Social Gains and Losses*. Belgrade: Group 484 Centre for Migration and Intercultural Studies, Institute for Educational Research.
- Pozzi, A. 2011. *Razvojni potencijal BiH dijaspore (Development potential of Bosnian and Herzegovinian Diaspora)*. Report produced by the Youth Employment and Retention Programme (YERP), January.
- Stankovic, M. Angelova, B. Janeska, V. Stankovic, B. 2013. *Science and Innovation Policy in Southeast Europe: Brain Drain as Brain Gain*. *International Journal Technological Learning, Innovation and Development*, 6 (3), pp. 262-282.

**Esmeralda Shehaj**

**University of Tirana , Albanija**

**Nermin Oruč**

**International University of Sarajevo, Bosnia and Herzegovina**

## **MIGRATION AS A SAFETY NET: ANALYSIS OF THE EFFECTS OF REMITTANCES ON POVERTY AND INEQUALITY IN ALBANIA AND BOSNIA AND HERZEGOVINA**

### ***Abstract***

*The effects of international remittances on the level of poverty and inequality in remittance receiving countries has been investigated heavily yet the contrasting findings from different studies leave it as a purely empirical matter. An additional question, not extensively explored so far, is the dynamics of the effects and in particular accounting for the changing conditions in either the sending or receiving country. The recent global economic crisis offers a unique opportunity to explore these dynamics, since both remittance sending and receiving countries were affected simultaneously. This paper examines the effect that remittances had on poverty and inequality both before and during the crisis in Albania and Bosnia and Herzegovina (BiH). The aim is to provide evidence on the effect that remittances had on poverty and inequality and show the dynamics of such an event using evidence from two of the top remittance receiving countries in Europe. For the empirical analysis, two waves of household budget surveys were conducted: one before (in 2008 in Albania and in 2007 in BiH) and another during the crisis (in 2012 in Albania and in 2011 in BiH). In Bosnia, poverty was assessed by estimating the probit regression of determinants of the probability of being poor. The results suggest that remittances did not contribute to a change in the poverty status of households, either before or after the crisis. The impact of remittances on poverty in Albania and on inequality in both countries was analysed by comparing the poverty rates and Gini coefficient of actual household consumption against the poverty rates and the Gini coefficient for consumption if there were no remittances. Firstly, a simulation of household consumption without remittances was performed by regressing household*

*consumption per capita for households without remittances based on a set of conventional explanatory variables. Then the consumption regression was used to predict the consumption that remittance-receiving households would have had if they had not received remittances. The last step was to compare the poverty rates for the case of Albania and the Gini coefficients for actual consumption and the simulated ones for each year of the two periods in both countries. The higher Gini of the simulated series suggests that remittances were decreasing inequality in 2007 and increasing it in 2011, which further suggests different effects of remittances on inequality before and during the crisis. The findings presented in this paper contribute to a better understanding of the static and dynamic effects that remittances have on poverty and inequality in the receiving countries. The results provide an insight into migration as an important safety net mechanism in Albania and BiH, and its effect on the social welfare of households in these countries.*

**Keywords:** *remittances, poverty, inequality and economic crisis.*

## **Introduction**

It has been widely accepted for several decades already that migration can have various positive effects on the development of migrant sending countries, including the effect on income redistribution through private transfers. Since the work of Stark (1991), migration has been viewed as a collective decision involving risk diversification as one of the most important factors affecting such a decision. Consequently, migration acts as a safety net mechanism for families involved in migration and intra-household income transfers. The role of these transfers is widely reflected in the existing migration literature; however, contrasting empirical results as well as the recent global economic crisis necessitate the need for new evidence on the role of remittances as a safety net. Since the global economic crisis affected both public and private transfers to households, albeit for different reasons, the topic gains additional importance. Remittances from more developed to lesser developed countries are seen as one of the main transmission mechanisms of the ongoing global economic crisis (see Ratha and Sirkeci, 2010). Reduced inflows of remittances (as private transfers) could have possibly had a major detrimental effect on the quality of life of households already heavily dependent on such transfers prior to the crisis. This could also account for a change in the level of both poverty and income inequality in a country by increasing the gap between those households receiving and those not receiving transfers. This paper analyses this phenomenon using household level data from surveys conducted before and during the crisis in Albania and Bosnia and Herzegovina (BiH), which

are two of the top remittance receiving countries in Europe. In order to estimate the possible effect of the crisis and provide evidence on how it affected inequality in these countries the paper measures and compares the effects that the receipt of remittances had on poverty and inequality before and during the crisis.

Much investigation has been made into the effects remittance has on poverty and inequality yet the available empirical evidence does not provide a clear-cut answer concerning its sign, particularly the effect on inequality. On one side, there is evidence supporting the idea that remittances are usually sent to richer families more able to bear the cost of migration and thus increases poverty and inequality. On the other side, several studies support the hypothesis that migrants stem from the lower tier of income distribution and thus remittances sent to these families decrease poverty and inequality. Consequently, any investigation of the effect of transfers on household income redistribution remains a purely empirical question. In addition, empirical evidence of the effect of the recent crisis on poverty and inequality through the change in volume of these transfers is still lacking. Therefore, this paper should provide an important empirical contribution for further discussion on the causes of different trends in poverty and inequality observed recently.

There is a bulk of research exists on the impact that remittances have on poverty yet it has yielded different results. The reason for this is the different methodologies and assumptions used and the different country characteristics. One of the most appropriate approaches used to estimate the impact is that of the construction of counterfactuals. Such studies show that there is some evidence to suggest that, in general, remittances reduce poverty; however, the range of the estimated impact is high.

Adams investigated the impact of remittances on poverty in Guatemala (2004) and Ghana (2006 and 2008<sup>1</sup>). His findings show that migrants are selected randomly from the population and that the extent of poverty reduction depends on the type of remittance: internal or international. In the Ghana study conducted in 2004 international remittances were estimated to have increased the share of people living in poverty by almost 16 per cent but to have reduced the depth and severity of poverty by 3 and 35 per cent, respectively. Whereas the results of the 2008 study suggest that international remittances reduced the three measures of poverty. This pattern of results holds true for the findings for Guatemala, where international remittances were estimated to have increased the poverty headcount by about 2 per cent but to have decreased the poverty gap and severity by 13 and 22 per cent, respectively.

---

<sup>1</sup>Co-author with Cuecuecha and Page.

Acosta et al. (2007) estimated the impact of international migration and remittances on poverty reduction in eleven Latin American countries.

The results suggest that there is selectivity. In relation to the impact that migration and remittances have on the poverty headcount the results are heterogeneous amongst the countries. In general, the impact tends to be modest; however, they did find a case where remittances either did not affect the poverty rate or may even have slightly increased it. Following the same methodology, Benedictis et al. (2008) used data from a merged database formed from the Survey of Overseas Filipinos and Family Income and Expenditure Survey 2003 in order to estimate the effect of remittances on poverty in the Philippines. The results suggest that remittances do not always affect the poverty headcount and, when it does, the impact is small.

Brown and Jimenez (2007) carried out a similar study for Fiji and Tonga under the 'no selectivity' assumption. Using a 2005 household survey of these islands they concluded that the poverty headcount ratio had decreased by 11 per cent in Fiji and 41 per cent in Tonga; the poverty gap ratio decreased by 17 per cent and 58 per cent in these islands. The same authors returned to the investigation of the impact of migration and remittances on poverty in Tonga in 2008 when, controlling the selection bias, they found that remittances had a substantial effect on poverty reduction.

Gubert et al. (2010) estimated the impact of remittances on poverty in Mali using a nationally representative household budget survey conducted in 2006. They found that in the 'no remittance' scenario the poverty headcount increased by approximately 2.4 to 5 percentage points, with large rural-urban and regional disparities. More recently, Beyene (2011) estimated the impact of international remittances on poverty in Ethiopia using data from the 2004 Ethiopian Urban Socioeconomic Survey. The results suggested that remittances from close relatives improved the poverty headcount by 92 per cent, the poverty gap by 96 per cent and poverty severity by around 98 per cent. This indicates that remittances help most of the poor receiving households to escape poverty and improves the income of others who are still in poverty.

The evidence on the impact that remittances has on inequality is mixed. Some studies show that remittances reduce income inequality (Oberoi, Prasad and Sardana, 1989; Guest, 1998; Taylor and Wyatt, 1996), while others provide evidence on the inequality-increasing effect of remittances (see Barham and Boucher, 1998). Milanovic (1987) found that remittances enhanced inequality in Yugoslavia. In a study of households in rural Egypt, Adams (1989) found evidence

of the negative impact of international migration. The same author reported a neutral effect in the case of rural Pakistan (Adams, 1992).

On the other hand, Barham and Boucher (1998) found that remittances, if considered exogenous, reduced inequality in Nicaragua. Taylor and Wyatt (1996) found that remittances distributed almost evenly across income groups in rural Mexico, which implies their neutral effect on inequality. Stark, Taylor and Yitzhaki (1986 and 1988), exploring the dynamics of migration and remittances, suggest that it is likely to have an inverse U-shaped relationship. In the first stage, liquidity constraints and the initially high cost of migration induces richer households to migrate and therefore increases income inequality. Yet later on the role of migrant networks contributes to a decrease in the cost of migration, which then becomes affordable for poorer families. Their participation in international migration decreases income inequality. Adams (1991) examined the relationship between international remittances and income inequality in three villages in rural Egypt and found a negative impact of this kind of remittance on income inequality. Empirical evidence provided in Anyanwu (2011) shows a positive link between international remittances and income inequality in the African continent.

This paper aims to estimate and compare the impact that international remittances has on poverty and inequality rates in Albania and Bosnia and Herzegovina. In the following section, background information on the general characteristics of migration and remittances in the two analysed countries present a useful introduction into the further analysis. Then, section 3 describes the data and the methodological approach used for the investigation of the effects of remittances on poverty and income inequality. Section 4 presents the results of econometric estimations of the models. The final section concludes with the main findings of the analysis and a list of policy recommendations.

## **BACKGROUND**

### **Migration and Remittances in Albania**

Although migration in Albania in general is a phenomenon with a strong historical background, the migration rates received a major boost after the country opened up. This was driven mostly by political change as the main driver, but migration was also exacerbated by the economic conditions in the country. The World Bank estimates indicate that 45 per cent of Albanians were living abroad in 2010. The large international migration flows in the post-communist period were associated with a considerable inflow of remittances. Estimates show that remittances reached 937.2 million Euros in 2006, accounting for 13 per cent of the country's GDP and

being almost 3.6 times as high as the foreign direct investment (FDI) net flows (Bank of Albania, 2007).

The amount of remittances reached a peak in 2007 but started to fall by 2008 because of the global financial crisis. However, remittances still accounted for a considerable share of national GDP and thus continued to act as a good source of foreign exchange and as a strong support for the country's economy. With the exception of 2010, remittances have remained higher than the level of FDI flows. As shown in Figure 2.1, remittances have continuously decreased since 2008 and as percentage of GDP reached their lowest level of 6.3 per cent in 2013. Yet only part of the decrease can be attributed to the global financial crisis; other reasons such as family reunions and remittance life cycles may also have affected them.

**Figure 2.1: GDP and remittances as a percentage of GDP in Albania in 1992 - 2013**

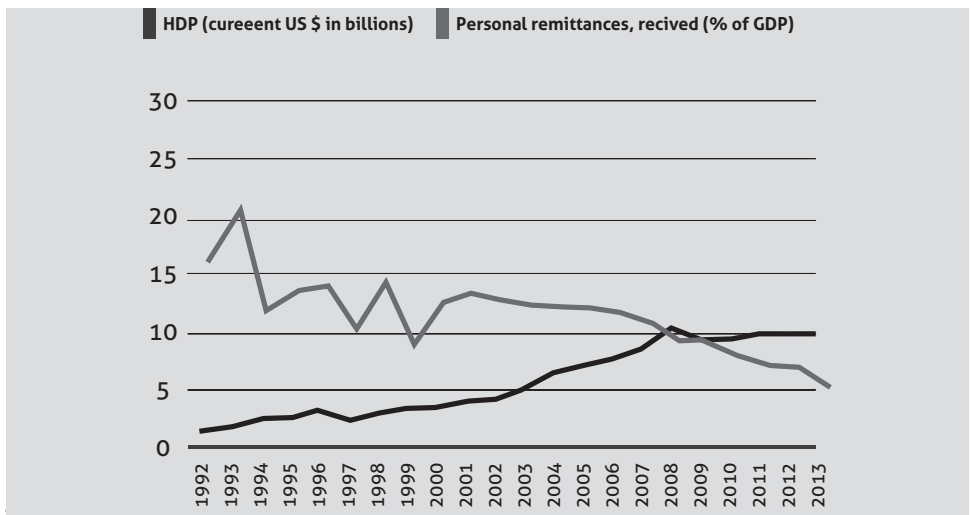


Figure 2.1 above includes some descriptive statistics for remittance recipient and non-recipient households in order to highlight possible differences between them, given that migration (and consequently remittance receipt) is considered a selective process. The figures in the table are based on micro data taken from the Albanian Living Standards Measurement Survey (LSMS) in 2008 and 2012. The main difference is in the percentage of remittance recipient households. This difference of around 19 percentage points can be attributed mainly to the global financial crisis. As can be noted from the figures in the table, the decrease in the percentage of recipient households spread evenly across the different characteristics for households. Hence, households with married heads (female or



male) and family members suffering or not from chronic diseases that had suffered any kind of shock in the last five (ten) years or those in different locations were less likely to receive remittances in 2012 compared to 2008.

**Table 2.1: Characteristics of the households by remittance receipt status, Albania**

	2008			2012		
	Recipient	Non-recipient	Total	Recipient	Non-recipient	Total
All households	912	2.687	3.599	414	6.257	6.671
%	25,3	74,7		6,2	93,8	
Tirana	120	480	600	27	621	648
%	20,00	80,00		4,2	95,8	
Coastal	398	601	999	168	1.768	1.936
%	39,84	60,16		8,68	91,32	
Central	255	745	1.000	173	2.786	2.959
%	27,30	72,70		5,85	94,15	
Mountain	139	861	1.000	46	1.082	1.128
%	20,40	79,60		4,08	95,92	
Chronic	417	969	1.386	185	2.092	2.277
%	30,09	69,91		8,12	91,88	
Non-Chronic	495	1.718	2.213	229	4.165	4.394
%	22,37	77,63		5,21	94,79	
Shock	433	1.185	1.618	68	1.238	1.306
%	26,76	73,24		5,21	94,79	
No shock	479	1.502	1.981	346	5.019	5.365
%	24,18	75,82		6,45	93,55	
Male head	757	2.407	3.164	310	5.517	5.827
%	23,93	76,07		5,32	94,68	
Female head	155	280	435	104	740	844
%	35,63	64,37		12,32	87,68	
Urban	441	1.535	1.976	195	3.413	3.608
%	22,32	77,68		5,40	94,60	
Rural	471	1.152	1.623	219	2.844	3.063
%	29,02	70,98		7,15	92,85	
Married	732	2.303	3.035	346	5.358	5.704



%	24,12	75,88		6,07	93,93	
Non-married	180	384	564	68	899	967
%	31,91	68,09		7,03	92,97	
Primary	157	251	408	34	236	270
%	38,48	61,52		12,59	87,41	
Primary8	346	1.019	1.365	197	2.027	2.224
%	25,35	74,65		8,86	91,14	
General High School	103	504	607	119	2.092	2.211
%	16,97	83,03		5,38	94,62	
Vocational	116	453	569	30	539	569
%	20,39	79,61		5,27	94,73	
Uni+post	68	296	364	63	1.533	1.596
%	18,68	81,32		3,95	96,05	

Concerning location variables, urban households were less likely than rural households to receive remittances in the two years under analysis. In terms of regional location, households in the coastal region followed by those in the central region received a higher percentage of remittances compared to other regions both before and during the crisis. Households that had at least one member that suffered from a chronic disease were more likely to receive remittances. Female-headed households and those with unmarried heads were also more likely to receive remittances in the two years under consideration compared to male-headed households and households with married heads. It is also important to note that the unconditional probability of receiving remittances related negatively to the level of education as measured by the level of education of the household head, both before and during the crisis.

### **Migration and Remittances in Bosnia and Herzegovina**

A consequence of the large forced migration outflows during the war period in the 1990s is that BiH is amongst the leading countries in terms of receiving remittances as a share of GDP. Annual inflows of international remittances were on average around 1.6 billion EUR or from 13 to 18% of GDP for the period 2002-2011 (World Bank data, see Table 2.2). These remittance inflows are a significant source of income for a large proportion of the BiH population. Moreover, they are six times higher than FDI and three times larger than development assistance provided to this country.

The data on remittance inflows for the period 2002-2011 is based on both BiH Central Bank and World Bank estimates, as presented in Table 2.2. As we can see, the World Bank generally estimates larger remittance inflows than the BiH Central Bank. The main reason for this difference arises from the different estimates related to transfers through informal channels. According to the BiH Central Bank they amount to 40% of total inflows, while de Zwager and Gressmann (2009, p.13) reported that only 22.5% of remittances were sent via formal channels. The World Network of Bosnian Diaspora estimates these inflows to be at least 3 billion, because they estimate that the majority of these remittances are sent as cash transfers through informal channels.

**Table 2.2: Overview of remittances inflows in Bosnia and Herzegovina**

Annual inflow in mil. EUR	2002.	2003.	2004.	2005.	2006.	2007.	2008.	2009.	2010.	2011.
BiH Central Bank	1.006	1.009	1.185	1.186	1.262	1.417	1.289	1.069	1.027	1.047
World Bank	1.131	1.297	1.536	1.514	1.645	2.001	2.028	1.950	1.697	1.524

Source: BiH Central Bank, World Bank.

There is limited evidence on the use of remittances in Bosnia. The evidence generally suggests that the majority of remittances are used for consumption. Lianos (2005) reported the results of a survey on return migrants that showed that they used their repatriated savings mainly for current consumption, although a large proportion of them also used it to education their children (22.3%). In addition, 27.8% of returned migrants answered that they treated it as savings and therefore would probably use it later for other purposes.

In another analysis, de Zwager and Gressmann (2010, p.66), based on data from the IOM/IASCI survey conducted in 2009, reported that the majority of Bosnian migrants remit money back home (67.3% of migrants from the EU, 55.1% of migrants from former Yugoslavia, and 63.6% migrants in the United States, Canada and Australia). The average annual amount of remittances that migrants from the EU send to BiH is €2,800 per receiving household, while migrants from former Yugoslavia send considerably less at just €1,200. On average, these remittances are transferred through 4.4 transfers per year. This means that the receiving households receive remittances on average once every three months. The majority

of them (77%) are sent through informal channels. The most important purpose of these remittances is to support parents (40%) and other family members (20%). An analysis of the micro data on remittances available through the Household Budget Survey for 2007 (HBS 2007) and 2011 (HBS 2011) is presented in this section, while the main findings are presented below in Table 2.3. The main characteristic of the micro level flows of remittances is that the average amount of remittances received by households increased compared to the period before the crisis. At the same time, the percentage of households reporting receipt of remittances decreased by almost 2 percentage points compared to the pre-crisis period (from 7.7 to 5.8%). When compared to the reduction in the inflows of remittances at the macro level, this shows that the micro level effect of remittances was that less households are now receiving on average more remittances.

**Table 2.3: Remittances by different consumption groups, BiH**

	Total number of households	Remittances receiving households	% of remittances receiving households	% of households who reported absent migrant	% of hh with migrants not sending money	Percentage of hh with close-family migrants
<b>Pre-crisis</b>						
<b>Male-headed</b>	3.538	253	7,17	11,85	n/a	n/a
<b>Female-headed</b>	966	94	9,74	9,20	n/a	n/a
<b>Total</b>	4.504	347	7,72	1,28	n/a	n/a
<b>Post-crisis</b>						
<b>Male-headed</b>	3.604	174	4,91	n/a	n/a	n/a
<b>Female-headed</b>	1.008	92	9,33	n/a	n/a	n/a
<b>Total</b>	4.612	266	5,88	n/a	n/a	n/a

Source: Own calculations derived from HBS Survey 2007 and 2011.

In addition, Table 2.3 shows that both before and after the crisis female-headed households were more frequently amongst the households receiving remittances; this suggests that female-headed households are more likely to be remittance-receiving households. In 2007, 7.72% of households received remittances including nearly 10% of female-headed households. A similar pattern is noticeable for 2011. Yet while the total number of household recipients of remittances decreased by almost 2 percentage points, the percentage of female-headed households that received remittances dropped by less than 0.5 percentage points over the period 2007-2011. This leads us to the conclusion that male-headed households have endured the majority of the drop off in terms of the number of household recipients of remittances.

In terms of geographic differences, it is noticeable that rural households receive greater amounts of remittances compared to urban households. This difference is even more pronounced when it comes to the wealthiest households. The reason for this is that remittances received by urban households stagnate whereas remittances received by rural households continue to rise right to the end of the consumption distribution. We observed that in urban areas the poorest households (approximately those households from the first decile) received larger amounts of remittance compared to poor households from the higher deciles (i.e., those with relatively higher consumption). This may contribute towards a reduction in urban inequality. The male-headed households from the first and the second quartile received more remittances in comparison to their female counterparts, yet female-headed households received higher remittances over the remaining part of the consumption distribution. Moreover, we observed steep increases in the amount of remittances received by the wealthiest female-headed households. Overall, this may suggest that remittances help combat poverty for male-headed households, but they enhance income-inequality for female-headed households as the largest amount of remittances are received by the wealthiest female-headed households.

Table 2.4 shows some statistics on remittances for households according to consumption quartile. It is noticeable that the average amount of remittances increases from the first to fourth quartile, although this increase is of a relatively lower magnitude as we move towards the upper quartiles. Overall, the lower consumption quartiles received lesser amounts of remittances, both before and after the crisis, which indicates generally that remittances might increase inequality. The share of households receiving remittances was larger in the lower compared to the upper consumption quartiles, which suggests that remittances might play an important role in consumption by poorer households and in this case might help alleviate poverty.

Furthermore, it can be observed that all of the quartiles recorded increases in the amount of remittances received before and after the crisis. This increase is more prominent in the lower two quartiles, which supports the idea that remittances might have had reduced inequality during this period. It is also noticeable that only the first quartile showed an increase, albeit small, in the share of households receiving remittances, while all other quartiles recorded a drop in the share of households receiving remittances. This might indicate the alleviation of poverty for the poorest households.

**Table 2.4: Remittances by different consumption groups, BiH**

	Quartile	Average consumption (Euro)	Average remittances (Euro)	% of remittance in consumption (for HHs receiving remit.)	% of remittance in consumption (for all HHs)	Share of households getting remittances (%)
Pre-crisis	1 <sup>st</sup>	3.576	1.401	29,45	2,89	7,39
	2 <sup>nd</sup>	6.812	2.286	37,31	2,83	8,44
	3 <sup>rd</sup>	10.529	3.069	32,92	2,43	8,39
	4 <sup>th</sup>	19.574	3.680	19,03	1,25	6,67
Post-crisis	1 <sup>st</sup>	3.096	2.579	82,54	6,22	7,47
	2 <sup>nd</sup>	6.488	3.264	51,06	3,10	6,15
	3 <sup>rd</sup>	10.456	3.339	32,39	1,86	5,81
	4 <sup>th</sup>	20.291	3.565	18,39	0,72	4,08

Source: HBS Survey 2007 and 2011.

Overall, household consumption indicates a slightly lower level for the post crisis period; however, there was no equal distribution of this decrease between poor and non-poor households. Namely, non-poor households showed somewhat higher average consumption after the crisis whereas the average consumption of poor households declined in the post-crisis period.

## METHODOLOGY

### Effect of Remittances on Poverty in BiH

The effect of remittances on poverty in BiH<sup>2</sup> was analysed using an approach widely accepted in the literature. The standard model of determinants of poverty was extended by inclusion of a variable for the amount of remittances received by a household. Broadly speaking, it is in accordance with the other existing studies on this issue surveyed in the introductory section.

The main regression was as follows:

$$\begin{aligned} Pr(poor) = & c1 + c2*gender\_head + c3*age\_head + c4*age\_head\_squared \\ & + c5*married + c6*education\_head + c7*size\_HH + c8*size\_HH\_squared \\ & + c9*dependency\_ratio + c10*main\_income + c11*no\_income + c12*rural \\ & + c13*own\_house + c14*remittances + c15*dummy2011 + c16*\lambda + u \\ (1) \end{aligned}$$

In addition, for the purpose of analysing the effect of the crisis, data for both years was pooled and a dummy variable for the second year included in the model. Besides this initial model specification, five other model specifications that included specific interaction terms to measure the change in the effect of specific variables (gender of the head of the household, remittances and location) resulting from the crisis were also estimated. The dependent variable ‘probability of being poor’ is a dummy variable taking a value of one if a household had consumption per capita below the 60th percentile of the median for consumption per capita in that year.

Other variables included gender (gender of head of household), age (age of head of household), education level (education of head of household) and marital status of a household head. These variables took on a value of one if she/her was married (married), size (size of household) and dependent (ratio of a household). There was also a set of dummy variables taking the unit value if the main source of a household budget was a salary (main income), if a household reported no income (no income), if they lived in a rural area (rural), and if they owned the house they lived in (own house). Squared terms were included for the ‘age’ of the household head and ‘size’ of the household in order to control for the nonlinearities in the effect that these two variables had on poverty.

---

<sup>2</sup>Throughout the paper, data for each country was analysed separately and models run for each country. Yet the same methodology was applied for both countries. The only exception was the estimation for poverty, when the methodology for the estimation of inequality was used to estimate poverty in Albania.

Poverty regression was estimated using the Logit model, since the dependent variable was binary. The reported results showed marginal effects when the variables were on their mean values (for instance, how much the probability of being poor increases when the age of the household head increases from the mean value of 47 to 48).

### **Effect of Remittances on Inequality (and poverty in Albania)**

In order to measure the possible effect of the global economic crisis on poverty and on inequality in Albania and BiH through the reduced inflow of remittances the methodology described below was used.

First, the model of determinants of household consumption per capita for households without remittances was estimated using the following empirical specification:

$$\text{Consumption } p/c = c1 + c2*gender\_head + c3*age\_head + c4*age\_head\_squared + c5*married + c6*education\_head + c7*size\_HH + c8*size\_HH\_squared + c9*dependency\_ratio + c10*main\_income + c11*no\_income + c12*rural + c13*own\_house + c14*self\_employment + c15*dummy2011 + c16*\lambda + u$$

The main variables in the BiH estimations were the same as in the case of poverty regression, only one additional dummy variable was included to indicate the employment status of a household head (self-employment) in the models for BiH. The independent variables were slightly different in the Albanian models; their abbreviations and meanings are presented in Table 2.5. The above regression was estimated using Ordinary Least Squares following the Heckman selection procedure<sup>4</sup> (1979). This consumption regression was later used to predict the consumption of remittance-receiving households had they not received remittances.

The predicted values from the model would have very low variance, because they excluded all random factors that affect household consumption. Hence, to make them comparable to the original consumption data, we add a random component to them. This was a series drawn from a normal distribution with a mean and a standard deviation equal to the residuals from the consumption regression.

---

<sup>4</sup>This procedure was not used in the case of BiH because the available data did not provide an appropriate identification variable.

**Table 2.5: Variables that will be included in the Albanian empirical models**

Variable name	Variable description
<b>Dependent variables</b>	
rcons	Per capita monthly consumption measured in New Albanian Leks
lcons	Natural logarithm of per capita monthly consumption of the household
non-receiver	1 if the household receives/does not receive in cash and/or in kind international remittances, 0 otherwise
<b>Independent variables</b>	
SIZEHH	Number of members of the household
SIZEHHSQ	Squared number of household members
ADULTS	Number of members of the household aged 15-60
CHILDREN	Number of children in the household
AGEHH	Age of the head of household (in years)
AGEHHSQ	Squared age of the household head
MARRIED	1 if the head of household is married, 0 otherwise
MALEHH	1 if the head of household is male, 0 if female
DEP_RAT	Dependency ratio (number of dependents/number of members)
DEP_RATSQ	Squared dependency ratio
PRIMARY	1 if the head of household has 8 years of schooling, 0 otherwise
GYMNASIUM	1 if the head of household has a high school diploma, 0 otherwise
VOCATIONAL	1 if the head of household has a vocational school diploma, 0 otherwise
POSTUNI	1 if the head of household has a university or post-graduate diploma, 0 otherwise
CHRONIC	1 if at least one member of the household suffers from a chronic disease, 0 otherwise
FTEMP	Number of household members holding a full time job
ASSET	Household Assets Index based on asset ownership in 2008
ASSETSQ	Squared Household Assets Index
SOCIAL	Household Social Capital Index
REL_DEP	Relative Deprivation Index
REL_DEPSQ	Squared Relative Deprivation Index
MIGPERC_PSU	Percentage of households with absent migrants at PSU level
URBAN	1 if the household resides in urban area, and 0 if in rural
MOUNTAIN	1 if living in the mountain region, 0 otherwise



CENTRAL	1 if living in the central region, 0 otherwise
COASTAL	1 if living in the coastal region, 0 otherwise

Second, the impact of remittances on poverty and inequality rates was calculated using the predicted consumption. The impact on inequality was analysed through a comparison between the Gini coefficient of the actual household consumption and the Gini coefficient of the consumption that would have been the case if there were no remittances. Then the Gini coefficient of the actual consumption and the simulated one were compared. The higher Gini of the simulated series would suggest that remittances decrease inequality. The simulation of the household consumption without the remittances was done in accordance with the existing literature (see Acosta et al. 2007 and 2008; Adams 1991; Adams and Cuenquecha 2008 and Barham and Boucher 1998).

Finally, the poverty rates and the Gini coefficients in two different periods, one before the crisis (2007 and 2008) and the other during the crisis (2011 and 2012), were estimated for the previous steps and compared in order to check the difference in the effect of remittances on inequality between the two periods. The differences in the inequality effect of remittances between the two periods suggests the direction of the effect of the global economic crisis on inequality through the remittance transmission channel.

## **Data and Descriptive Statistics**

### **Albania**

The empirical analysis for the Albanian case will investigate the effects of remittances on poverty and inequality using two waves of the Living Standards Measurement Survey (LSMS). The first survey conducted in 2008, as was the case in BiH, is the one that contains data for the ‘pre-crisis’ scenario. The second one is the 2012 LSMS, which is considered as the ‘during-crisis’ survey. The LSMSs were conducted in a frequency of 3-4 years by INSTAT and the World Bank; the last one was conducted in 2012.

The methodology of the Albanian LSMSs for 2008 and 2012 were similar to the LSMSs conducted in previous years. The surveys are representative at the national level. This was achieved through a stratified two stage cluster sampling design in which the Primary Sampling Units (PSUs) were represented by the census Enumeration Areas (EAs) and the Second Stage Sampling Units (SSUs) were the households (denoted as HUs).

The EAs were stratified into large geographic areas, namely Coastal, Central and Mountain areas to which belonged urban and rural areas, while Tirana was considered as a separate stratum. Within each selected PSU, 12 HUs were initially selected by means of a Probability Proportional to Size (PPS) design. At the first stage of the sampling eight of them formed the base sample, while the remaining four were considered as available substitutes. Eight households were selected for each of the selected EAs. The 2008 sample included 3,600 households, while the 2012 LSMS was representative of the prefecture levels as well as at the major geographic areas and resulted in a sample size of 6,671 households. The surveys contained different modules and collected detailed information that enabled the extraction of a considerable amount of information on household characteristics.

The descriptive statistics for the dependent and independent variables to be included in the empirical model are presented in separate tables for the categorical and quantitative variables. Table 3.1 presents proportions of the binary variables from the two sets of data, while some descriptive statistics, namely the minimum, maximum, mean and standard deviation of the quantitative variables, are presented in tables 3.2 and 3.3 for the data from LSMS 2008 and 2012, respectively. It is noteworthy that the mean per capita consumption levels are almost identical for before and during the crisis, although there are differences in the minimum and maximum values. Both the value of minimum and maximum consumption expenditure decreased in 2012.

A more detailed analysis of per capita consumption according to remittance receipt status indicates that in 2008 non-recipient households consumed on average 9,546 BAM ALL/month, while recipient household had an average consumption expenditure of 11,480 BAM ALL/month. These figures increased in 2012 to 10,182 BAM and 12,232 BAM ALL/month respectively, which indicates that although remittance incidence decreased in 2012 those households that received remittances increased their consumption level by a higher amount. A cross tabulation of remittance receipt status according to poverty status indicates that within the group of recipient households the percentage of the poor remained almost identical (4.7% - 4.8%). Furthermore, mean per capita consumption levels of the poor and non-poor households in the two years remained at the same real levels. Other differences can be attributed to differences in the samples rather than real changes in the population composition. However, it should be noted that there were noticeable changes in the education level of the household heads; this can be attributed to the recent education reforms and increased access to schooling.

**Table 3.1: Proportions of binary variables, Albania**

Variable	2008.	2012.
Remittance receipt indicator	32,0	6,2
Head of household is married	84,3	85,5
Male-headed	87,9	87,3
Head of household has no education		
Head of household has 4 years school diploma or less	11,3	4,0
Head of household has 8 years school diploma or less	37,9	33,3
Head of household has general secondary school diploma	16,9	33,1
Head of household has a vocational school diploma	15,8	8,5
Head of household has university or post-graduate diploma	10,1	23,9
At least one member suffers from chronic disease	38,5	34,1
Shock suffered in the last 5 years	45,0*	19,6
Urban area	54,9	54,1
Central region	27,8**	44,1
Mountain region	27,8**	16,9
Coastal region	27,8**	29,0

\* This variable indicates shock suffered in the last 10 years instead of 5 years.

\*\* The LSMS 2008 included 1,000 households for each of the strata and was representative at the strata level only.

**Table 3.2: Descriptive statistics of quantitative variables 2008, Albania**

Variable	Min	Max	Mean	St. dev.
Household size	1	16	3,95	1,77
Number of children	0	7	0,90	1,13
Number of adults	1	13	3,36	1,46
Number of international migrants	0	9	0,63	1,10
Age of the head of household	20	98	54,65	13,33

Number of household members in full time employment	0	4	0,02	0,15
Dependency ratio	-1,00	1,00	0,75	0,36
Household Asset Index	-5,36	10,93	0,00	2,09
Relative Deprivation Index	-5,65	11,23	0,16	1,52
Social Capital Index	-7,15	5,14	0,00	1,65
Proportion of migrants at PSU level	0	95	39,68	21,32
Per capita consumption	1.718,47	96.669,43	10.036,86	5.743,44

**Table 3.3 Descriptive statistics of quantitative variables 2012, Albania**

<b>Variable</b>	<b>Min</b>	<b>Max</b>	<b>Mean</b>	<b>St. dev.</b>
Household size	1	16	3,83	1,656
Number of children	0	8	0,73	1,015
Number of adults	1	10	3,21	1,345
Number of international migrants	0	11	0,52	1,11
Age of the head of household	18	102	54,45	13,496
Number of household members in full time employment	0	6	0,27	0,749
Dependency ratio	-1,5	1	0,81	0,36
Household Asset Index	-2,01	8,91	0,00	1,00
Relative Deprivation Index	-3,09	7,35	0,123	0,80
Percentage of households with migrants at PSU level	0,00	100,00	25,89	24,38
Per capita consumption	1.055,22	74.177,63	10.309,68	5.581,41

### **Bosnia and Herzegovina**

Two Household Budget Surveys (HBS) were used for the purpose of empirical

analysis of the effect of remittances on income inequality in BiH. The first was conducted in 2007 and was considered the one containing necessary data for the ‘pre-crisis’ case. The second was from 2011 and was used for the ‘during-crisis’ survey. These two surveys are the only post-war BiH surveys that included the collection of consumption data, besides the World Bank’s Living Standard Measurement Survey (LSMS) conducted in 2001 (with three subsequent waves conducted by the Statistics Agency of BiH over the period 2002-04, known as the ‘Living in BiH’ surveys).

The HBS from 2007 contains a set of modules on the family, education and labour status of individuals as well as information on all expenditures of a household unit. However, the information available from this survey does not allow for a thorough and in-depth analysis of the living conditions in the country. In 2011, an ‘Extended Household Budget Survey’ (EHBS) was designed for BiH as a gradual transition toward EU SILC<sup>5</sup>. Three new modules were added to this survey in order to provide more information on social inclusion, migration and remittances, individual income, health status and services. Due to a lack of reliable census data<sup>6</sup>, the sampling procedure for these two surveys was conducted through clustering 80 enumeration areas from 25 municipalities (out of 142 municipalities in BiH) and then selecting a representative sample from these areas. The sampling was done separately for the two surveys and therefore the data is not longitudinal, although the surveys followed the same methodology.

The tables of descriptive statistics of variables used in the econometric analysis of the data that will be presented later in the report are provided below. Since the list of variables includes both continuous and indicative variables and the values of interest from descriptive statistical analysis are different for these two types of variables, we decided to present them in separate tables. Thus, Table 3.4 shows the standard values of descriptive statistics for the continuous variables and Table 3.5 shows the percentage of observations with the relevant attributes for the indicative variables.

---

<sup>5</sup>The EU SILC survey provides comparable and timely statistics on income and living conditions in the individual Member States. It is a larger and more advanced longitudinal and cross-sectional survey and hence more expansive than the Household Budget Survey used in BiH. SILC is used to calculate the ‘Leaken Indicators’, which are a set of indicators used for planning and monitoring European social policy by comparing poverty indicators and their changes over time across the European Union.

<sup>6</sup>The most recent census in BiH at that time had been conducted in 1991 and soon after the country went through a war that caused the displacement of around 50% of the total population, rendering the 1991 census data useless.

**Table 3.4: Descriptive statistics of the quantitative variables used, BiH**

Variable	No. Obs.	Mean	St. Dev.	Minimum	Maximum
Age of head (years)	9.115	54,7	14,3	16	97
Size of household (No. of members)	9.115	3,3	1,6	1	15
Dependency ratio	9.115	0,7	0,3	0	1
Remittances (EUR)	9.115	125,4	1.143,9	0	50.000
Consumption per capita (EUR)	9.117	288,4	2.16,7	0	3.209,2

Source: Own calculations from HBS Survey 2007 and 2011.

**Table 3.5: Descriptive statistics of the qualitative variables used in the analysis, BiH**

<i>Attribute</i>	<i>% of HH with the attribute</i>
<i>Poor</i>	<i>22,2</i>
<i>Self-employment</i>	<i>20,9</i>
<i>Male head</i>	<i>78,3</i>
<i>Married head</i>	<i>72,6</i>
<i>Education of head, secondary</i>	<i>56,5</i>
<i>Education of head, university</i>	<i>2,7</i>
<i>Education of head, postgraduate</i>	<i>0,6</i>
<i>Main income from pensions</i>	<i>31,8</i>
<i>Main income from social benefits</i>	<i>4,4</i>
<i>Main income from other sources</i>	<i>22,9</i>
<i>No income</i>	<i>3,7</i>
<i>Urban</i>	<i>41,6</i>
<i>Own house</i>	<i>91,7</i>

Source: Own calculations based on HBS survey 2007 & 2011.

## RESULTS

### Albania

The Heckman regression equations using the data from the Albanian LSMS in 2008 and 2012 are estimated separately and presented below in tables 4.1 and 4.2.

**Table 4.1: Results of the regression for the determinants of the consumption of households without remittances using the Albanian LSMS 2008 data**

<i>Model for 2008</i>	Number of obs = 2.687			
	F( 24, 448) = 68,38			
	Prob > F = 0,0000			
	R-squared = 0,5133			
	Root MSE = 0,3475			
(Std. Err. adjusted for 449 clusters in psu)				
Log (consumption per capita)	Coef.	Robust Std. Err.	t	P>t
Urban	-0,18	0,03	-5,10	0,00
Mountain	-0,04	0,04	-0,99	0,32
Coastal	-0,01	0,04	-0,18	0,86
Central	0,07	0,04	1,98	0,05
Married head	-0,07	0,04	-1,56	0,12
Male-headed	-0,04	0,05	-0,76	0,45
Age	0,00	0,01	0,25	0,81
Age squared	0,00	0,00	-0,25	0,80
Primary8	0,02	0,03	0,81	0,42
Vocational education	0,08	0,04	2,37	0,02
Secondary school	0,08	0,04	2,26	0,02
University or post-graduate diploma	0,23	0,04	6,04	0,00
Size of the household	-0,29	0,03	-10,50	0,00
Size squared	0,01	0,00	5,87	0,00
Number of adults	0,04	0,01	2,99	0,00
Number of children	-0,01	0,02	-0,56	0,57
Full time employment	0,12	0,03	4,22	0,00
Dependency ratio	-0,15	0,14	-1,10	0,27
Dependency ratio squared	0,18	0,11	1,57	0,12
Household Asset Index	0,09	0,01	13,76	0,00
Household Asset Index Squared	0,00	0,00	0,65	0,52
Social Capital	-0,02	0,01	-2,37	0,02
Social Capital Squared	0,00	0,00	0,31	0,76
Previous Migration Experience	-0,02	0,02	-0,74	0,46
Constant	9,84	0,17	57,59	0,00

**Table 4.2: Results of the regression for the determinants of the consumption of households without remittances using the Albanian LSMS 2012 data**

<i>Model for 2012</i>		Number of obs = 6,671		
Heckman selection model		Censored obs = 414		
		Uncensored obs = 6257		
		Prob > chi2 = 0.0000		
		Wald chi2(21) = 2170		
		Log pseudo likelihood = -1.459.410		
		-1,459,410		
		(Std. Err. adjusted for 834 clusters in psu)		
Log (consumption per capita)	Coef.	Robust Std. Err.	t	P>t
Mountain	-0,04	0,04	-1,22	0,22
Coastal	-0,11	0,03	-3,26	0,00
Central	0,00	0,03	-0,11	0,91
Urban	-0,06	0,02	-2,80	0,01
Married head	-0,05	0,03	-1,58	0,11
Male-headed	0,08	0,03	2,48	0,01
Age	0,01	0,00	1,90	0,06
Age squared	0,00	0,00	-1,91	0,06
Secondary school diploma	0,09	0,02	4,57	0,00
Vocational education	0,12	0,03	4,39	0,00
University or post-graduate diploma	0,21	0,02	9,75	0,00
Size of the household	-0,20	0,02	-8,18	0,00
Size squared	0,01	0,00	9,72	0,00
Number of adults	-0,06	0,02	-2,64	0,01
Number of children	-0,08	0,02	-3,54	0,00
Full time employment	0,03	0,01	2,46	0,01
Dependency ratio	-0,02	0,04	-0,53	0,60
Dependency ratio squared	0,01	0,04	0,37	0,71
Car ownership	0,32	0,02	17,87	0,00
Shock	0,00	0,02	-0,02	0,98
Chronic disease	-0,01	0,02	-0,86	0,39
Constant	9,61	0,11	90,98	0,00

The effects of remittances on poverty and inequality are estimated as the differences between the actual and simulated figures on consumption expenditure. The results are presented below in Tables 4.3 for 2008 and in Table 4.4 for 2012.



**Table 4.3: The impact of remittances on poverty and inequality in 2008, Albania**

2008	Poverty			Inequality	
		Headcount	Depth	Severity	Percentage
Overall	Actual	12,4	2,3	0,7	28,2
	Predicted	21,2	6,3	3,0	30,9
	<b>Difference</b>	<b>8,76</b>	<b>3,96</b>	<b>2,30</b>	<b>2,7</b>
Urban	Actual	10,1	2,0	0,6	29,5
	Predicted	15,4	3,9	1,7	31,3
	<b>Difference</b>	<b>5,3</b>	<b>1,9</b>	<b>1,1</b>	<b>1,8</b>
Rural	Actual	14,6	2,6	0,7	26,0
	Predicted	26,8	8,5	4,4	28,7
	<b>Difference</b>	<b>12,2</b>	<b>5,9</b>	<b>3,7</b>	<b>2,7</b>
Remittance Recipients	Actual	10,8	1,8	0,4	26,0
	Predicted	49,1	19,4	11,2	30,2
	<b>Difference</b>	<b>38,3</b>	<b>17,6</b>	<b>10,8</b>	<b>4,1</b>

**Table 4.4: The impact of remittances on poverty and inequality in 2012, Albania**

2012	Poverty			Inequality	
		Headcount	Depth	Severity	Percentage
Overall	Actual	14,3	2,9	1,0	26,9
	Predicted	14,6	3,0	1,0	26,6
	<b>Difference</b>	<b>0,24</b>	<b>0,08</b>	<b>0,03</b>	<b>-0,3</b>
Urban	Actual	13,6	2,9	0,9	27,7
	Predicted	13,8	2,9	0,9	27,5
	<b>Difference</b>	<b>0,2</b>	<b>0,0</b>	<b>0,0</b>	<b>-0,3</b>
Rural	Actual	15,3	3,0	1,0	25,7
	Predicted	15,5	3,1	1,1	25,3
	<b>Difference</b>	<b>0,3</b>	<b>0,1</b>	<b>0,0</b>	<b>-0,4</b>
Remittance Recipients	Actual	9,4	1,5	0,4	25,5
	Predicted	14,4	3,2	1,0	20,5
	<b>Difference</b>	<b>5,0</b>	<b>1,6</b>	<b>0,6</b>	<b>-5,0</b>

The results suggest that the poverty headcount, depth and severity as well as inequality increased between 2008 and 2012. These changes were more pronounced in urban compared to rural areas. The impact of remittances on the poverty headcount remained positive both before and during the crisis at 2.6 and 0.24 percentage points, respectively, while the impact before the crisis was higher. This could be attributed to the fact that personal remittances in 2008 were higher than in 2012; furthermore, a higher percentage of households received remittances in 2008 compared to 2012. There was a difference of about 2 percentage points between the effects of international remittances on the poverty headcount in the rural and urban areas in 2008 and 2012. The remittance recipient households had 9 and 5 percentage points lower poverty rates in 2008 and 2012, respectively, which was the result of remittances received from their household members abroad.

Concerning the poverty gap and its severity, the results follow the same pattern although the effects in terms of percentage point changes were lower. The results indicate that the effect was modest in 2008. However, in 2012 international remittances had no impact on the poverty gap and its severity. This could be explained by the reduced incidence of remittances within the pool of poor households and the low levels they received. This supposition was confirmed through an exploration of the descriptive statistics, which indicate that only 3.1 per cent of the poor households received remittances in 2012.

The impact of international remittances on inequality, as measured by the differences between the actual and the simulated Gini coefficient, in the hypothetical scenario of ‘no remittances’ indicates that remittances had a decreasing effect on inequality in 2008. However, the direction of the effect changed in 2012, although the effect of remittances on inequality was almost negligible in 2012. However, it is of note that the effect that remittances had on inequality amongst the remittance recipient households changed considerably between 2008 and 2012: varying from a decrease of 4.1 percentage points to an increase of 5 percentage points. The overall effect was much lower due to the lower percentage of remittance recipient households in the population, as indicated in the descriptive statistics.

## **Bosnia and Herzegovina**

Table 4.5 presents the results of the baseline regression for the Federation of Bosnia and Herzegovina (FBiH). Observing the columns, we first present the baseline results in column one, while columns two and three test whether there were differences in the effect of remittances on poverty for households with different geography and gender, respectively. Column four tests the role of the crisis and columns five and six test whether the effect of the crisis differs for the two households characteristics above. In the case of BiH, data was not available for the ethnic divide in the Federation. We will first discuss the results in general and then focus on our variables of interest.

Table 4.5: Baseline results for poverty – Bosnia and Herzegovina

Dependent variable: Dummy, 1 if poor (consumption is lower than 60% of the median consumption)					
	(1)	(2)	(3)	(4)	(5)
	Baseline	Gender, geography	Crisis	Gender, geography during crisis	Rod, teritorijalni rasporod tokom krize
Age of the head (years)	-0.009***	-0.009***	-0.009***	-0.009***	-0.009***
Age of the head, squared	0.000***	0.000***	0.000***	0.000***	0.000***
Marriage status of head	-0.016	-0.016	-0.015	-0.016	-0.015
1 if married					
Education of head	-0.023*	-0.023*	-0.022*	-0.023*	-0.023*
1 if with completed primary school					
Education of head	-0.126***	-0.126***	-0.126***	-0.126***	-0.126***
1 if with incomplete or completed secondary school					
Education of head	-0.198***	-0.198***	-0.198***	-0.198***	-0.198***
1 if with college or university					
Size of household (No. of members)	0.100***	0.100***	0.100***	0.100***	0.100***
Size of household squared	-0.005***	-0.005***	-0.005***	-0.005***	-0.005***
Percentage of dependent members in total household members	0.202***	0.202***	0.202***	0.201***	0.200***
Main income	-0.007	-0.007	-0.007	-0.008	-0.008
No income	0.032	0.032	0.031	0.033	0.033
1 if the household has no income					
Own house	-0.086***	-0.086***	-0.086***	-0.086***	-0.086***
1 if the household possesses own house					

Role of gender and geography					
Urban	-0,047***	-0,047***	-0,047***	-0,047***	-0,047***
1 if urban					
Gender of the head	0,020	0,020	0,018	0,021	0,018
1 if male					
Role of crisis					
2011.	0,038***	0,038***	0,038***	0,036***	0,036***
1 for the year 2011 (during crisis)					
Remittances					
Remittances (in EUR)	-0,001	-0,002	-0,019	-0,013	-0,002
					-0,044
Role of remittances and gender and geography					
Urban x Remittances	0,004		-0,050		
Male head x Remittances		0,025		-0,027	
Role of remittances under crisis and gender and geography					
Remittances x 2011			0,029	-0,002	0,057
Urban x Remittances x 2011				0,147	
Male head x Remittances x 2011					0,046
Observations	9,030	9,030	9,030	9,030	9,030

In general, the results have the expected signs and most of them are statistically significant. Moreover, the signs of coefficients are consistent across different model specifications suggesting that it is not sensitive to the inclusion or exclusion of variables. Out of the demographic characteristics of the households included in the model, the age and education of the household head as well as the size and composition (number of dependent members) of the household are important in relation to poverty. The age of the household head decreases the likelihood of being poor; this likelihood was nonlinear but still negative for all age groups<sup>7</sup>. At the average value the likelihood to be poor decreases by 0.1% for a one year increase in the age of the household head. In terms of education, the results suggest that households where the head has attained higher education have less probability of falling into poverty. This applies for all levels of educational, while the impact on poverty reduction increases with each increase in the level of education.

Compared to households with a head who had no education, households with a head having only primary education were 2.3% less likely to be poor, households with a head having secondary education had 13% less probability of being poor, while households with a tertiary educated head were 20% less likely to be poor. Household size also mattered as each additional member of the household increases the probability of being poor by almost 10%, suggesting that larger households are, on average, poorer than smaller ones.<sup>8</sup> In addition, those households that had a higher number of dependent members (children and elderly) had a higher probability of falling into poverty by 20%. The marital status and gender of the household head did not show a statistically significant influence on poverty.

With respect to income, we found that only when social transfers were the main source of income of the households did the likelihood of being poor increase by around 4%. If a household's main source was pension or any other source it did not matter in terms of poverty. Owning a house reduced the likelihood of being poor.

The difference between the two periods analysed suggests that, all things being equal, the probability of being poor was at an average value around 4% larger in the period during the crisis (2011) than before the crisis (2007). This was expected and can, at least to some extent, be explained by the negative effect that the economic crisis had on the living standards of households in BiH.

---

<sup>7</sup>The likelihood of being poor only becomes positive after the age of 145.

<sup>8</sup>Although the variable for squared size is statistically significant, the effect of size would only turn to negative for households with 20 or more household members.

Remittances, which are the focus of this Study, on average did not show any effect on poverty. However, some of the disaggregation of this effect according to different groups of households presented in other models revealed certain positive effects. In the next two columns (2 and 3) we allow for the differential effects of remittances on poverty for households with different geography and gender of the head. The results suggest that the impact of remittances on poverty does not vary according to geography (column 2) or by gender (column 3). This may not seem surprising given that the average share of remittances for household consumption does not vary much between urban and rural and between male and female-headed households.

The behaviour of remittances before versus during the crisis, as suggested by column four, also does not differ from its effect in 2007. In both cases, the average effect of remittances on poverty was not statistically different from zero. The last column of Table 4.5 disentangles the effect of remittances during the crisis as observed through gender and geography. While the effect of remittances remains the same for both male and female-headed households in 2011 (not significant for both types of household), geography might matter. The impact of remittances in urban areas in 2011 was positive and statistically marginally significant, which suggests that the households that receive remittances and lived in urban areas were more likely to be poor in 2011.<sup>9</sup> Larger vulnerability to poverty as a result of crisis in urban as opposed to rural areas might be explained by the availability of various coping mechanisms in rural areas (such as subsistence farming) that are not available in urban areas.

The main overall conclusion of the analysis for remittances in BiH is that they did not have an impact on poverty reduction either before or during the crisis regardless of the gender and geography of the households, with the exception of urban households in 2011.

The results of the regression estimation of the model used for the analysis of the effect of remittances on inequality, specified in Equation 2, which identifies the determinants of consumption of households without remittances, are shown below in Table 4.6.

---

<sup>9</sup>The same coefficient for 2007 is not statistically significant.

**Table 4.6: Results of the regression for the determinants of the consumption of households without remittances, BiH**

<b>Dependent variable: Logarithm of households consumption per capita</b>	
<b>Gender of the head (1 if male)</b>	-0,116***
<b>Age of the head (years)</b>	0,00743
<b>Age of the head, squared</b>	-2,95E-05
<b>Marriage status of head (1 if married)</b>	0,0194
<b>Education of head (1 if with incomplete or completed secondary school)</b>	0,203***
<b>Education of head (1 if with college or university)</b>	0,633***
<b>Education of head (1 if with postgraduate degrees)</b>	0,640***
<b>Size of household (No. of members)</b>	-0,222***
<b>Size of household squared</b>	0,0108***
<b>Percentage of dependent members of total household members</b>	-0,482***
<b>Main income (1 if pension is the main income)</b>	-0,0408
<b>Main income (1 if social assistance is the main income)</b>	-0,0903**
<b>Main income (1 if other source is the main income)</b>	0,0469*
<b>No income (1 if the household has no income)</b>	0,0773*
<b>Own house (1 if the household possesses own house)</b>	0,172***
<b>Self employment (1 if household has a private business)</b>	-0,0586**
<b>Urban (1 if urban)</b>	0,129***
<b>2011 (1 for the year 2011 - during crisis)</b>	-0,0742***
<b>Constant</b>	6,482***
<b>Observations</b>	4.538
<b>R-squared</b>	0,246

Source: Authors' estimates.

\*, \*\* and \*\*\* denote statistical significance at the 10. 5 and 1% level, respectively.

The Gini coefficients calculated based on the simulated consumption and on the actual consumption for both 2007 and 2011 are calculated and compared in Table 4.7 below.



**Table 4.7: Gini ratio for real and simulated consumption.**

	Gini coefficient	
	Actual consumption	Consumption without remittances
<b>2007</b>	0,342	0,343
<b>2011</b>	0,367	0,366
<b>Panel</b>	0,355	0,355

Source: Authors' estimates.

The results suggest that inequality increased from 2007 to 2011 by 2.5 percentage points. We can see, when the Gini coefficients based on the actual and simulated consumption are compared, that the inequality effect of remittances is small and has a different direction of impact. The Gini in 2007 based on simulated consumption was larger but by only 0.1 of a percentage point, which suggests that the receipt of remittances was decreasing inequality in Bosnia-Herzegovina, however, the impact was negligible. The same magnitude of effect, but in a different direction, was observed in 2011. This suggests that in 2011 the impact of remittances on inequality was that it increased inequality, but by only a small amount.

## CONCLUSIONS

The results presented in this paper show that the effects of remittances on poverty and inequality in Albania and BiH remain a purely empirical matter, which was mentioned in the introductory section as one of the motivations for the research. When the results from two countries are compared, we can see that in each case the effect of remittances on poverty and inequality are not present but also that it is not unidirectional. When we look at the descriptive statistics in more detail we can see that the reasons for such a difference in the effect can be attributed to a large extent to the differences in the remittance receipts across income distribution. In Albania, remittances are more directed toward poor people and therefore their effect on poverty and inequality is significant and positive (reducing both poverty and inequality). On the contrary, remittances in BiH follow an 'inverse U-shape' pattern, meaning that they target more people in the middle of the income distribution and therefore their effect on poverty and inequality in the country remains negligible. Moreover, the pattern of change of the effect as a result of the crisis is also not standard.

The results for Albania show that remittances have helped reduce poverty to a significant extent and that their effect on the reduction of inequality is positive.

This was particularly pronounced in 2008, while in the case of 2012 the magnitude of the effect was reduced. This could be attributed to the decrease in remittances inflows to the country, which has affected poor recipient households in particular. The descriptive analysis has shown that both poverty and inequality measures increased in 2012 compared to 2008, confirming that the crisis worsened the situation in the country in terms of poverty and inequality. If we compare the magnitude of the effect of remittances on these two measures between 2008 and 2012, such a negative trend in poverty and inequality measures can largely be attributed to the reduced inflow of remittances.

In spite of expectations of a significant effect by remittances on income inequality in these countries affected by large inflows of remittances, based on the available empirical evidence, the results for BiH suggest that such a conclusion cannot be supported. The effect of remittances on income inequality in BiH, both before and during the crisis, remains negligible. In addition, the effect of remittances on inequality did not change during the crisis. Still, the evidence provided here suggests that income inequality in BiH increased during the crisis; however, this was not necessarily caused by a reduction in the inflow of remittances. The cause for such a trend should be sought in other factors affecting inequality, possibly internal ones.

The results of the present Study as well as previous papers that the analysed determinants of income inequality in different countries are not conclusive and therefore do not allow for generalisation. Yet this paper should be considered as a contribution to the empirical literature on the relationship between remittances and inequality and consequently as a contribution towards the analysis of the effect of the global economic crisis and its transmission channels in particular.

## REFERENCES

- Acosta, P. Fajnzylber, P and Lopez, J.H. 2007. *The Impact of Remittances on Poverty and Human Capital: Evidence from Latin American Households Surveys*. World Bank Policy Research Working Paper 4247.
- Acosta, P. Fajnzylber, P and Lopez, J.H. 2008. *What is the Impact of International Remittances on Poverty and Inequality in Latin America?* World Development, Vol. 36.
- Adams, Jr. R. H. 2004. *Remittances and Poverty in Guatemala*. World Bank Policy Research Working Paper, No. 3418.
- Adams, Jr. H. R. 2006. *Remittances and Poverty in Ghana*. World Bank Policy Research Working Paper, No. 3838.
- Adams, R.H and Cuenquecha, A. 2008. *The Impact of Remittances on Poverty and Inequality in Ghana*. Policy Research Working Paper 4732.
- Adams, Jr. R. H. 1991. *The Effects of International Remittances on Poverty, Inequality, and Development in Rural Egypt*. IFPRI Research Report No. 86, Washington: IFPRI.
- Adams, R. 1989. *Worker Remittances and Inequality in Rural Egypt*. Economic Development and Cultural Change Vol. 38, pp. 45–71.
- Anyanwu, J. 2011. *International Remittances and Income Inequality in Africa*. African Development Bank

Group Working Paper No. 135.

Bank of Albania. 2007. *Annual Report 2007*. Tirana, Albania: Bank of Albania.

Banga, R and Sahu, P.K. 2010. *Impact of Remittances on Poverty in Developing Countries*. Social Sciences Working Paper id 3100.

Barham, B and Boucher, S. 1998. *Migration, Remittances and Inequality: Estimating the Net Effects of Migration on Income Distribution*. Journal of Development Economics, Vol. 55, No. 2, pp. 307 – 331.

Benedictis, G. Calfat, G. Rivas, A and Salvador, A. 2008. *Looking Behind the Remittances: A Counterfactual Analysis of the Impact of Migration and Remittances on Poverty in the Philippines*. Antwerpen Institute of Development Policy and Management, Working Paper No. 2008/03.

Beyene, B. M. 2011. *The Effect of International Remittances on Poverty and Inequality in Ethiopia*. University of Oslo, mimeo.

Brown, R. P. C and Jimenez, E. 2007. *Estimating the Net Effects of Migration and Remittances on Poverty and Inequality: Comparison of Fiji and Tonga*. UNU-WIDER Research Paper No. 2007/23.

Cochran, W.G and Rubin, D.B. 1973. *Controlling Bias in Observational Studies: A Review*. Sankhya, ser. A, Vol. 35, No. 4, pp. 417-446.

De Haas, H. 2007. *Remittances, Migration and Social Development: a Conceptual Review of the Literature*. United Nations Research Institute for Social Development. Social Policy and Development Programme Paper No. 34.

De Haas, H. 2007. *The Impact of International Migration on Social and Economic Development in Moroccan Sending Regions: a Review of the Empirical Literature*. International Migration Institute Paper 3.

de Zwager, N and Gressmann W. 2009. *Maximising the Development Impact of Migration-related Financial Flows and Investment from Austria to Bosnia and Herzegovina*. IASCI and IOM Report, prepared for OeEB.

de Zwager, N and Gressman W. 2010. *Maximizing the Development Impact of Migration-related Financial Flows and Investment to Bosnia and Herzegovina*. IASCI and IOM Sarajevo.

Gubert F. Lassourd, T and Mesple-Soms, S. 2010. *Do Remittances affect Poverty and Inequality? Evidence from Mali*. Paris-Dauphine University. Document De Travail No. DT/2010-08.

Guest, P. 1998. *Assessing the Consequences of Internal Migration: Methodological Issues and a Case Study on Thailand based on Longitudinal Household Survey Data*. Pp. 275-218. In Bilsborrow R. (ed). *Migration, Urbanization and Development: New Directions and Issues*. Norwell MA: United Nations Population Fund and Kluwer Academic Publishers.

Heckman, J. 1979. *Sample Selection Bias as a Specification Error*. *Econometrica* Vol. 47, No. 1, pp. 153-61.

Lianos, T. 2005. *Migration in the Balkans*. Department of Economics, Athens University of Economics and Business. Available at: <[siteresources.worldbank.org/PGLP/Resources/Theodore\\_Lianos.doc](http://siteresources.worldbank.org/PGLP/Resources/Theodore_Lianos.doc)>

Obero, A.S., Prasad, P.H and Sardana, M.G. 1989. *Determinants and Consequences of Internal Migration in India*. Studies in Bihar, Kerala and Uttar Pradesh. Delhi: Oxford University Press.

Ratha, D and Sirkeci, I. 2010. *Remittances and the Global Financial Crisis*, Editorial, Migration Letters, Vol. 7, No. 2, pp. 125–131.

Stark, O. Taylor, J.E. Yitzhaki, S. 1986. *Remittances and Inequality*, *Economic Journal*, Vol. 96, No. 383, pp. 722-740.

Taylor, J. E and Wyatt, T.J. 1996. *The Shadow Value of Migrant Remittances, Income and Inequality in a Household-farm Economy*. Journal of Development Studies, Vol. 32, No. 6, pp. 899-912.







In this brilliant corpus of articles on migration in Southeast Europe, the authors have been exploring the link between migration and development in several countries of this region. In the majority of the Southeast European countries, migrations are closely related to the socio-economic and political development of the region.

Over the past two decades, the societies in the West Balkans have experienced major migrations and brain drain, and this trend is expected to continue. At the same time, the countries of this region fall into the category of those with highest amounts of remittances in the world. In addition, a significant portion of foreign investment in these countries are initiated or supported by migrants, returnees and transnational migrant networks. In fact, the effect of migration onto the region's development must not be overestimated. Nonetheless, the link between migration and development in the countries of the region has not yet been sufficiently explored in expert works.

This book will be gladly welcome by all those who are interested in multiple links between migration and development. This credible collection of articles also includes some significant debates on the effects of remittances as well as on the role of migrants and returnees in the socio-economic development of the West Balkans.

**Marko Valenta, Professor at the Norwegian University for Science and Technology (the co-author, jointly with Sabrina P. Ramet, of the book titled *The Bosnian-Herzegovinian Diaspora, Integration in Transnational Communities*, 2011.**

At an interdisciplinary level, this almanac addresses the issues related to links of migration with development, primarily from the aspect of the diaspora host countries, thus expanding the cognitive horizons about a topic so important to the whole West Balkans region. The analysis covers the key issues related to migration in the context of development, such as: dislocated human capital, opportunities for circulation/transfer of knowledge and capital, effects of cash remittances in the countries of origin and their institutional frameworks, transnational entrepreneurs, etc. The extraordinary quality of the Almanac is particularly supported by the methodological and theoretical approach by the eminent researchers signing the authorship of the included works. The book is not intended for expert public only, but also for all those who are interested in any of the development migration dimension segments discussed in it.

**Mirza Emirhafizovic, Ph.D.**  
**Faculty of Political Sciences, University in Sarajevo, Bosnia and Herzegovina**